

THE ECONOMIC CONSEQUENCES OF THE LEAGUE

The World Economic Conference

With an Introduction by SIR ARTHUR SALTER

AND ARTICLES BY

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LONDON
EUROPA PUBLISHING CO., LTD.
6 DUKE STREET, ADELPHI, W.C.2

GEORGE ROUTLEDGE & SONS, LTD.
68-74 CARTER LANE,
E.C.4.

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MADE AND PRINTED IN GREAT BRITAIN BY
THE GARDEN CITY PRESS LIMITED, LETCHWORTH, HERTS

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ECONOMIC CONSEQUENCES OF THE LEAGUE

THE LEAGUE'S CONTRIBUTION

By Sir ARTHUR SALTER, K.C.B., C.B.

Will the World Economic Conference of May, 1927, mark the beginning of a "new era" as its members declared that they unanimously desired? No question now engaging the public attention is of greater importance to the world.

The following pages will furnish many of the elements required to form an opinion on this subject and to understand what is the nature of the transformation of world policies which would result if all that the Conference hoped is realised.

It may be convenient, however, to summarise briefly in this Preface why the Conference was called, what it was, what it recommended, and what indications there are at present of its advice being followed.

The League's first substantial contribution to the problem of reconstruction, after the destruction and dislocation of the war, was in the financial sphere. It was within this sphere that international action was at once most urgent and most practicable. So long as currencies and public finances were in disorder no stable rebuilding of the economic system was possible. And the problem, at least of establishing doctrine, was relatively easy. It was not a question of finding a new system but of finding how to get back to one which had worked reasonably well before the war. It was for these reasons that the League convened the Brussels Financial Conference of 1920, at which unanimous agreement was reached as to the principles which should guide Governments in restoring their finances. A

further lead was given shortly after in the League's practical work of reconstruction in Austria and in Hungary. Doctrine and example combined had an influence, impossible to measure with precision, but indisputably powerful in its total effect, on the gradual restoration of national finances.

Similar action within the sphere of economic policy was, however, much more difficult. Here the range was greater, the obstacles more serious. At every point controversies much older than the war—between free-traders and protectionists, between the rival advocates of the merits of private enterprise and public control—were involved. If successful action was to be taken in this more difficult region it was essential to choose the occasion with the utmost care and prudence. The conditions were fairly clear. Currency fluctuations must have ceased to be a primary factor in international trade, for no further conference could do more to secure stability, and they complicated and confused the specifically economic problems. For similar reasons the political-financial questions of allied debts and reparations must be no longer at the centre of public attention. Lastly, no economic conference could be successful unless the political situation was favourable.

By the autumn of 1925 these conditions were reasonably satisfied. All currencies had been stable, or had only fluctuated within narrow limits, for over a year. The Dawes' plan was working smoothly, debt negotiations were proceeding well. The general political situation had greatly improved, as the Locarno agreement was soon to demonstrate.

It was under these conditions that the Assembly of 1925 asked the Council to appoint a Committee to prepare for a World Conference, designed to discuss economic questions of importance alike to the peace and the prosperity of the world.

The Preparatory Committee, which was appointed accordingly, was presided over by M. Theunis, ex-Prime Minister of Belgium, and was so composed as to be itself a miniature international Conference. Its thirty-five members, of twenty-one nationalities, included merchants,

financiers, industrialists, economists, agriculturists, officials with experience of commercial policy and representatives of workers' and consumers' organisations.

Meeting twice in full session and at other times working through formal and informal groups, this Committee, through the year 1926, directed the preparations for the main Conference; and above all, perhaps, by securing the collaboration of great institutions like the International Chamber of Commerce, the Institute of Agriculture and large industrial and other organisations, it developed the interest and world-wide support of the public opinion and the forces most concerned, without which no conference could be successful.

The Conference itself was convened for May, 1927. In character it was "responsible though not official, expert but not academic." Its composition, in the range of qualifications, was similar to that of the Preparatory Committee but on a much larger scale of members. Its 194 members were, however (with the exception of eleven), not appointed by the Council but by the Governments, though not as the "spokesmen of official policy." Fifty countries accepted the invitation to send members, including not only League States but the U.S.A., Russia and Turkey; the only considerable countries which abstained were Spain and the Argentine. There were four women and a number of leading members of workers' organisations among the delegates. No more authoritative body of experts has ever met to discuss economic problems.

The Agenda was drawn both widely and carefully. It was designed at once to encourage discussion on all features of primary importance in the economic situation of the world, from the point of view alike of peace and prosperity, and to concentrate it on problems in which international agreement and action could give practical results. The first part covered the more general questions; the second was divided into three chapters on Commerce, Industry and Agriculture. The Conference, presided over like the Preparatory Committee, by M. Theunis, met on May 4th, and

devoted four days to general discussion, and then broke up into three great Commissions (each so composed as to be in itself a widely representative international body) corresponding to the three chapters on Commerce, Industry and Agriculture. The great bulk of the substantial resolutions was worked out in the next ten days in these Commissions. The Conference then met in Plenary Sessions, made the resolutions of the Commissions its own, with the addition of a few others of a more general character, and concluded its Sessions on May 23rd.

The results are set out in the Report of the Conference which is reproduced in the following pages, and a brief analysis of this document will at once indicate the character of the Conference's achievement.

The President contributes a Preface which at once strikes the dominant note: "the exchange of products between persons of the same country or of different countries is normally to the advantage of both parties; the greater the range of exchange of different products between those who by their resources and capacities are best fitted to produce them, the greater is the general economic advantage. . . . There are practical limitations to the application of this principle in policy. But that international trade is normally and properly not a matter of victory and defeat, or profit of one at the expense of the other but of mutual benefit, has necessarily been the basis of this International Conference."

The Report itself begins with a brief but striking account of the economic condition in the midst of which the Conference met. In the world as a whole "production and consumption, both in total and per head of the population, are greater than before the war." There has, however, been no "corresponding increase of international commerce." Europe's position is much less favourable than that of the world as a whole, and its international trade "was only 89 per cent of the pre-war volume."

Then follow the all-important resolutions on "Commerce," whose character is already suggested by this world situation.

We may here pass over the useful recommendations on work already begun by the League on import and export prohibitions, customs formalities, commercial arbitration, double taxation, the treatment of foreigners and come to the crucial section on commercial and tariff policy. Here the analysis is searching, the advice definite.

The Conference deliberately and wisely avoided the issue between free-traders and protectionists. In substance what it recommends is not free trade but "freer trade." Customs tariffs are higher, more numerous and more frequently changed than before the war. Reduction, simplification and stability are unanimously recommended. "Each nation's commerce is to-day being hampered by barriers established by other nations, resulting in a situation especially in Europe, that is highly detrimental to the general welfare." The Conference categorically and unanimously recommends "that states should forthwith take steps to remove or diminish the tariff barriers that greatly hamper trade, starting with those which have been imposed to counteract the effects of disturbances arising out of the war." It declares that "the time has come to put an end to the increase of tariffs and to move in the opposite direction."

This is the central theme of the Conference's recommendations; and it is by the success in securing or failure to secure the modification of economic policies in this direction that the Conference will take its place in history.

We must, however, glance briefly also at the other resolutions. In the chapter on industry it is sufficient to note here that there is a balanced and measured statement of the limits, the conditions, the advantages and the possible dangers of "International industrial agreements" (the so-called Cartels). No international "control" is recommended, but great stress is laid on the importance of publicity, and the League is asked to follow the movement closely and its effects upon technical progress, production, the conditions of labour, the position of supplies and the movement of prices; and to publish the results.

In the Chapter on Agriculture, the Conference makes a number of recommendations concerning more direct relations between producers' and consumers' organisations, the extension on an international basis of the campaign against diseases of plants and animals, the establishment of credit institutions, and the collection of fuller information on agricultural questions. They should form the basis of action, or encourage action already begun, for years to come. It is interesting to note that the inclusion in the Conference of members representing agriculture, and the formation of a Commission in Agriculture on the same basis as Commerce and Industry, marks in a more decisive and significant fashion than any previous conference the position of what has been called the first and most basic industry in the economic problems of the world.

In addition the Conference passed certain general resolutions of which we may note two as of special interest. One of these, with special reference to the U.S.S.R. (Russia), expresses a hope for the pacific commercial co-operation of all nations "irrespective of differences in their economic systems." The other emphasises the relation between economic policies and the peace of the world. It "looks forward to the establishment of recognised principles designed to eliminate those economic difficulties which cause friction and misunderstanding." The definition and acceptance of such principles are obviously the work of many years. But the future peace of the world may well prove to depend on whether it is possible to devise and apply a set of principles which will restrict the uncontrolled action of individual States in imposing economic policies which react injuriously upon the interests of other countries.

Such then, in bare outline, is the advice which the most authoritative body of responsible experts which has ever met to discuss economic problems has unanimously given as to what both the peace and the prosperity of the world demand. What must be done to secure that their advice is adopted and what are the prospects of success?

The main decisions rest with the Governments; and the

main bulk of the work to be done must clearly fall upon those who, in their respective countries, can directly or through the organisation of public opinion move their Governments to change their present politics. International organisations, such as the League or the International Chamber of Commerce can help, but their success will be limited and determined by "publican" opinion and the action of Governments.

Substantial progress has already been made. The Governments of Belgium, Austria, Germany, Czechoslovakia and Holland have already declared categorically their acceptance of the resolutions of the Conference. The Council of the League has unanimously recommended them to the "favourable consideration of all nations." The International Chamber of Commerce, meeting at Stockholm in June has enthusiastically given its support and its members will doubtless be working to the same end in their respective countries. The Economic Committee meeting in special session in July has begun the technical task which constitutes its contribution to the general work. The Assembly in September, where the members are accredited representatives, will give an opportunity for further progress.* In October a special diplomatic Conference has been convened to translate one part of the recommendations (prepared by two years of previous work at the League) as to Imports and Exports Prohibitions and Restrictions, into the form of a Convention. But all this is a beginning only, though a good one, for what must be the progressive task of years. Unceasing activity and patience are both required.

Let us conclude by summarising the reasons for hoping that the movement will be successful. The difficulties, the obstacles, the grounds of scepticism are only obvious. It is more important to remember the opposing considerations.

First, the Conference brought out with great force and clearness the fact that the worst trade distinctions it desired to remove came into existence through causes—

*See Appendix 3.

currency fluctuations, temporary post-war dislocations, a sense of political insecurity—which have either largely disappeared or are diminishing. As the causes go, so should the effects.

Secondly, the Conference revealed the fact that a strong feeling already existed before the Conference itself that the process of increasing trade obstructions had gone too far; it made this feeling articulate and strengthened it. The Conference was the more effective for being able to draw upon a force already strong. The time was well chosen.

In the third place, the collective weight and influence of so authoritative and responsible a body of persons must be very great. It is reinforced by the equally strong and collective opinion of international business expressed through the International Chamber of Commerce.

Lastly, it may be hoped, the public opinion of the world will realise that it is essential, in the public interest, that the unanimous advice of the most authoritative body of persons who could be found should be adopted; and will insist that economic policies should be modified as they recommend. The formal language of the Report, "a substantial improvement in economic conditions," when translated into human terms, means that millions of human beings who are now living miserably might live in comfort, that millions of human beings who are now suffering the demoralisation and degradation of unemployment might resume productive work. And the public opinion of the world, if informed and given the opportunity of collective expression, is a force sufficient to prevail over every obstacle of vested interest, fallacious doctrine and national sentiment which obstructs the road to increased prosperity and a more stable peace.

PART I

THE PROBLEM

AND

ITS THEORETICAL SOLUTION

WORLD ECONOMIC CONDITIONS

By A. LOVEDAY

Introductory.

SIR ARTHUR SALTER has recorded in the preface to this volume the considerations which influenced the Assembly of the League of Nations in its decision to convene a world Economic Conference and the procedure which it adopted. In its original resolution, the Assembly emphasised the "necessity of investigating the economic difficulties which stand in the way of the revival of general prosperity" and the Committee which was appointed to prepare the work of the Conference accordingly initiated an inquiry into the world economic situation which was remarkably comprehensive in its scope. In this chapter, therefore, we are mainly concerned with the difficulties that have hampered economic revival, or to quote the words of the agenda, with the "economic causes of the present disturbed equilibrium in commerce and industry." Closely allied to this question is that of the economic tendencies which might affect the peace of the world, a problem which was maintained throughout the Conference in the forefront of its discussions. The results of the work conducted by this preparatory Committee are contained in the documents of the Conference,¹ and it is on the evidence thus rendered available that the following brief analysis of the situation is based.

Of the more important difficulties which have been ascertained only a certain proportion are, of course, international in character, and of those which are international not all are subject to immediate practical solution. With the special problems of individual States we are not concerned here, but reference will have to be made, if a proper balance is to be preserved, to certain hindrances to progress of a domestic character, and many of the international forces which have determined the situation have only had regional significance.

¹See Annexes 15.

The Degree of Economic Recovery and Progress Achieved since 1918.

Before endeavouring to unravel the casual threads, some estimate must be made of the extent to which the growth of wealth in the world, arrested by the war, had revived by 1925. I take the year 1925 in preference to 1926, partly because the information concerning it is fuller, and partly because the course of development in the latter year was locally arrested by the British coal dispute.

Certain speakers during the debates of the Conference rightly insisted on the necessity of getting rid of the obsession of pre-war conditions, and of aiming, not at their restoration, but at something inevitably different from and better than those conditions. For purposes of measurement, however, we have but little choice, and 1913 must still for a while be employed as a foot-rule. It is still useful for us to know whether the world in 1925 (or to-day) was richer than before the War. To that question, it is true, no mathematically provable answer can be given; but a good deal of evidence exists on which a guess may be hazarded. In dealing with this evidence, it is desirable to divide the world into continental groups and to proceed from what is most accurately ascertainable to what is least. Further, we must consider not absolute production or income, but preferably income in relation to population.

Growth of Population, Production, and Trade.

Indices have been compiled by the League of Nations of the growth of population, of the production of certain raw materials and foodstuffs, and of world trade.¹ For the purpose of the production calculation, details concerning fifty-six commodities were obtained, and both this index and that showing world trade have been compiled in such a manner as to eliminate the influence of changes in the purchasing power of money. The results are summarised below:

¹ See *Memorandum on Production and Trade*, 1926 (Messrs. Constable and Co., London).

POPULATION, PRODUCTION AND TRADE

Indices: 1913=100.

	Pop.	Raw Materials and Foodstuffs.		Raw Materials.		Quantum of Trade.	
	1925.	1924.	1925.	1924.	1925.	1924.	1925.
(a) Eastern & Central Europe. Including Russia (U.S.S.R.)	99	83	103	79	93	62	73
Excluding Russia (U.S.S.R.)	103	88	102	89	100	71	82
(b) Rest of Europe ..	105	102	108	104	105	98	99
Europe, including Russia (U.S.S.R.)	101	90	105	93	99	84	89
Europe excluding Russia (U.S.S.R.)	104	94	105	99	103	89	94
N. America ..	119	115	126	122	135	126	137
Caribbean ..	107	188	171	201	179	132	128
S. America ..	122	119	135	113	124	91	97
Africa ..	107	132	139	143	153	97	99
Asia, excluding Asiatic Russia ..	105	122	120	159	165	123	136
Oceania ..	116	124	124	108	122	118	132
World ..	105	107	118	116	125	98	105

These figures give us the basic facts concerning the world economic situation. The production of raw materials and foodstuffs in 1925 in the world as a whole was greater than before the war and greater per head of population (roughly 118 as compared with 105). This clearly points to an improvement in the standard of living. But world trade,

although greater than before the war and not lower per head, has not kept pace with the growth in production. Further the general improvement results mainly from a great increase in the prosperity of non-European nations. European production of raw materials and foodstuffs in 1925, an exceptional harvest year, was but very slightly above the pre-war standard, and her trade was more than 10 per cent lower. This drop in trade was partly due to the shrinkage in Russian imports and exports; but those of the rest of Europe have also fallen off. From the returns so far available it would appear that the quantum of world trade in 1926 was approximately the same as in the preceding year—though prices were generally lower. The smallness of European trade and the reduction in the proportion of the goods produced which are now exchanged internationally are both due, to some extent, at any rate, to the fact that countries in which raw materials are produced are manufacturing them themselves to a greater extent than heretofore.

Unfortunately the information concerning industrial output in most countries, and more especially in Europe, is defective, and it is not possible to make anything of the nature of a close estimate of the changes which have taken place during the last thirteen or fourteen years. Such evidence as is available, however, points very definitely to the conclusion that the world's industrial production has increased more rapidly than has that of raw materials and foodstuffs. Thus, in the United States of America manufacturing output in terms of fixed values was, in 1925, between 60 and 65 per cent greater than in 1914; whereas the raw materials index was 127; in Canada the gross real value of manufactured products rose by about 45 per cent between 1910 and 1923; and the net value added in manufacture, which is a better measure of industrial growth, increased in Australia between 1913 and 1924-5 by a third, and in New Zealand by 88 per cent. The progress achieved in South Africa, the Japanese colonies and certain other parts of the world has been even more striking.

For the majority of European countries no comparable calculations have been made. Only for Sweden and Finland are fairly complete estimates available. The gross value of industrial production in the former of these two countries is believed to have been about 12 per cent greater in 1925 than in 1913, and in the latter, in 1926 as much as 40 per cent greater. For France a very much less complete index has been compiled which averaged 106 for 1925, and it is probable that industrial output in that year was actually greater than it was within to-day's frontiers before the war. The only available index for the United Kingdom is believed to understate the real recovery. But Professor Bowley and Sir Josiah Stamp, in a recent work, conclude that the income per head from home activities in 1924 was about the same as before the war, though there was a drop in the income from abroad. In the statement submitted by the British members of the Conference, the following view is expressed: "So far as can be judged from statistics, the total volume of industrial production in Great Britain is roughly the same as before the war, but meanwhile the population has largely increased. Production per head of those actually employed (though not of the total population) has been maintained roughly at its pre-war level, any falling off, owing to the 10 per cent reduction of hours, being on the whole . . . compensated by improved methods and efficiency."¹ It is estimated that in Germany the total production of wealth in 1925 was about the same as the production before the war in the present day territory—in which case the output per head was slightly lower. An official estimate for Russia puts the national income in 1925-6 at 70 per cent of the pre-war. It is probable then that in France, Finland, and Sweden the total national income per head from home activities is not less than it was, that in Germany it is slightly, and in Russia very considerably, less. In Italy, Norway, Greece, Holland, Spain and Denmark, gross income is also probably not

¹ Principal Features and Problems of the World Economic Position from the point of view of different countries. Series I, p. 22.

lower, though in Greece at any rate income per head certainly is.

The unco-ordinated information supplied by this country or that concerning national income or industrial output is not alone sufficient to provide a basis on which to frame an opinion concerning the recovery of Europe as a whole. But if the information collected in the special studies on particular industries, prepared for the Conference, be considered in conjunction with the national data just mentioned, it would seem probable that the real value of industrial production in Europe, exclusive of Russia, if lower than that in 1913, which marked the crest of a boom, was at any rate up to the average of the immediately preceding years, though below the average per head of population. It does not follow from this that the quantity of goods produced was as great; their average price in terms of unmanufactured products may have risen. Before pursuing the question of industrial output further then, a word is necessary concerning prices and relative values.

Prices.

There has, in fact, been a change in the ratio of the prices of manufactured products on the one hand and raw materials and foodstuffs on the other, which is of fundamental importance both to industry and agriculture. How great the change is it is difficult to ascertain. From the data used in the League of Nations' inquiry into Tariff Levels I obtained a European index for the latter group of goods of 164 in 1925. Fully manufactured articles have undoubtedly risen more in price than semi-finished. Thus the Swedish index for semi-manufactured goods was 154 in that year, and for finished products 161. The special inquiries which have been made into agricultural costs in a number of countries likewise show that the farmer has to pay more in proportion to what he received for his produce than before the war. Thus, to quote a single example, in the United States of America the price index for grains in 1925 was 156, for fruits and vegetables 160, for meat animals 139, for dairy and

poultry products 143, while the wholesale price index of non-agricultural products was 165. In spite of the fact that the cotton index was higher than any of these, the purchasing power of farmers' products, that is to say the value of a unit of farm produce in terms of non-agricultural goods, was as low as 89. It has, however, been rising steadily since 1921, and there are grounds for believing that the general tendency will be towards a gradual restoration of the old equilibrium, although temporary setbacks must inevitably occur.

As a result of the relatively low prices of agricultural goods, all agricultural countries have to offer rather more of their produce in exchange for the finished products of European, American or other industrialised States. But the high price of manufactured goods tends to restrict the demand for them, and is a contributory cause, as we shall see, of European unemployment. What, then, are the factors which have brought about this change in price ratios?

Prices and their relationship to one another are the expression of the multitudinous forces whose interplay determines at any moment the degree of economic prosperity enjoyed. The answer to this question, therefore, will involve us in the central problem of this chapter, the causes which have impeded economic revival.

Agricultural Conditions.

The prices of agricultural goods have no doubt been adversely affected by reduced purchasing power in certain countries of Europe, and with the growth of general prosperity, demand may be expected to increase. But the importance of this factor is very frequently exaggerated. Europe, exclusive of Russia, previously her most important granary, actually imported more cereals in the five years ending with December, 1925, than in the last pre-war quinquennium, and though her total consumption and consumption per head were lower, that falling off was more than counterbalanced by the smaller Russian exports. If

Europe's external demand has not diminished, the causes of the low prices must be sought elsewhere. They are to be found in part in the enormous increase in the acreage under cereals in the United States and Canada which took place during the war, in part in the fact that in the United States themselves and certain other countries the consumption of cereals per head of population has diminished.

The fall in the prices of agricultural products has coincided with the revolution created in agriculture in Central and Eastern Europe by the division of the big estates into small holdings, and the reorganisation which these reforms rendered necessary had to be accomplished under extremely difficult conditions. In a number of countries the new proprietors endeavoured to avoid the buffetings of world competition by producing meat, butter, eggs, vegetables, etc., for their own needs or those of the local markets and by greatly reducing the area under bread corn. Thus Latvia and Estonia have turned to dairy farming on the Danish system; Yugo-Slavia to cattle rearing, horticulture, fruit farming and the cultivation of industrial plants; Rumania to the cultivation of maize, which is consumed at home in preference to wheat which was previously exported. This reorientation of agriculture in Europe has enabled certain countries to weather the storm while the balance of demand and supply was being righted by the gradual reduction of the American acreage under wheat from 75.7 million acres in 1919 to 52 million in 1925. But in England, and to a lesser extent in other stock-raising countries, the competition of the Argentine and Oceania, and the abnormally low chilled meat prices, render the situation extremely serious. On the other hand, the agriculturists in the majority of European countries received for a shorter or longer period a form of special protection from the fact that the depreciation of the exchanges affected the price of foreign cereals in paper currencies to a greater extent than it did his costs of production, a protection which by 1925 had almost universally disappeared. There had also disappeared, in many cases, the greater part of his pre-war mortgage debts,

which he had succeeded in paying off in depreciated paper money. But, if during the period of inflation his debts were automatically reduced to nominal sums, he was unable to effect new loans for constructional and development purposes, and when currency stabilisation was achieved he was faced with rates of interest which still excluded borrowing. He was faced, also, with a falling market, and, as we shall see later, lower import duties on agricultural produce and higher duties on what he required to buy. In Europe, therefore, unlike the United States of America, it is during the last year or two that the agricultural depression has been the most widespread.

Industry.

The ratio of the prices of the products of land and those of industry, however, depend of course on causes which have affected the demand and supply of each group of goods.

The demand for cereals per head of population, as we have seen, has probably rather diminished than increased since 1913. The demand for raw materials has no doubt increased, although it has been affected by recent scientific progress. The art of manufacture indeed consists in the rendering of a service with a minimum of effort, whether that effort be made in the provision of the raw materials from which the final product is obtained, or in the putting of that final product to its intended use. The discovery and development of wireless, the utilisation of hydro-electric power, the improvements effected, especially in Germany, in the scientific combustion of coal and lignite, have all rendered economy in the use of raw materials possible. The fact, therefore, that in the world as a whole the total value added in manufacture has grown more rapidly in recent years than has the output of crude products, does not itself constitute any grounds for presuming that the average prices of manufactured products should be lower than those of the materials from which they are made. The progress of science, however, is only one of many causes of the change

in values which characterises the present-day situation. The most important factors, at any rate so far as Europe is concerned, are to be sought in a series of impediments to production which have checked industrial revival and the supply of manufactured products. It was with these impediments, as the next chapter will show, that the Conference particularly concerned itself. There have been, in addition, certain special causes, which have seriously affected some of the major European industries—more especially those of the United Kingdom. It is necessary, therefore, to consider the European industrial situation in some little detail.

From the special studies prepared for the World Economic Conference, to which reference has been made above, the output of some of the most important industries may be approximately gauged. The more instructive results are summarised below:

POPULATION, PRODUCTION AND TRADE INDICES: 1913=100
PRODUCTION AND CONSUMPTION INDICES: 1913=100

	Europe.		Europe without Russia.		World.
	Production	Consumption	Production	Consumption	Production
Coal and Lignite ..	91	—	93	—	99
Petroleum	88	—	104	—	277
Pig-iron & Ferro Alloys	80	82	84	87	98
Raw Steel	95	—	100	—	118
Shipbuilding	66	—	66	—	66
Mechanical Engineering	87	—	90	—	108
Electrical Engineering	141	—	146	—	201
Copper	—	—	—	108	140
Lead	—	—	—	113	132
Zinc	—	—	—	98	116
Cotton ¹ ²	—	88	—	88	124
Wool ²	—	87	—	96	91
Flax ²	—	90	—	—	93
Silk ³	114	—	114	—	156
Artificial Silk	510	—	546	—	660
Coal-tar Dyes	79 ⁴	—	79 ⁴	—	101 ³
Pulp	127	—	127	—	157

¹ Mill consumption only. ² Base period, 1909-13. ³ Base period, 1911-15. ⁴ 1924.

The figures are not equally reliable. Those referring to the production of fuel and shipping tonnage may be accepted as close approximations, while the margin of error in the case of such composite industries as mechanical and electrical engineering is likely to be considerably wider.

The table tends for two distinct reasons to give too unfavourable a picture of European industry as a whole. First, information happens to be available for the major pre-war industries which have been particularly adversely affected by recent events; secondly, the quantitative measurement of output in, for instance, the textile industries does not give any indication of the fact that the quality of goods produced has improved. There has been a double shift in European industrial activity towards higher quality and lighter goods in most industries and in favour of what were previously smaller industries. "Thus, the fine cotton-spinning end of the cotton industry is in a much more satisfactory position than are the sections of the industry spinning medium and coarse counts. In the woollen industry in the United Kingdom, the tendency has been towards the production of higher qualities, the use of finer qualities of wool, the substitution of virgin wool for mungo; merinos are replacing cross-breeds. One of the causes of the falling off in the production of coal-tar dyes is that the demand for cheap blacks has sunk."¹ This tendency towards more specialised and higher quality production, which is particularly striking in the United Kingdom, must be attributed in part to the falling off of oriental demand, and in part to the higher standard of living of the unskilled workers. Further the revolution created in land transport by the development of motor services must not be overlooked. Railway expansion and the demand for rails, etc., have been arrested, while labour is devoted to the construction and improvement of roads. The effect on steel production activity is shown in the table, while the boom in road construction is not. The heavy metal industries, shipbuilding, coal-mining have all contracted. But on the

¹ *Memorandum on Various Industries*, p. 10.

other hand, electrical engineering, the motor industry, the rubber industry, the manufacture of boots and shoes, of tobacco, confectionery, hosiery, perfumery, etc., have prospered.

The prosperity of these newer or expanding industries has, there is reason to believe, nearly counterbalanced the depression in what used to be considered the standard major trades of Europe exclusive of Russia. In textiles it is probable that, if Russia be excluded, the value of the total output in terms of fixed prices is rather greater than before the war, and even the production of the heavy metal industry was not more than 5 per cent. lower than in 1913, which was a boom year. But in any case it is clear that, if in the world as a whole and in every continent, there has been a very real recovery from the destruction and disorganisation caused by the war, Europe has lost position in the race for wealth. Thus her share in the world production of pig iron has fallen from 58 to 47 per cent., of steel from 56 to 46 per cent., of coal from 51 to 47 per cent., of machinery from 47 to 38 per cent., and in the consumption of raw cotton from 53 to 41 per cent.⁷

Special Difficulties of European Industry.

This loss of status is but natural, for while other continents have been able to pursue an almost normal course of development and reap the full fruits of the application of science to industry and commerce, she has not merely had to re-organise her business to meet the requirements of peace, but to make good the direct destruction of war, and to create new states and construct all the paraphernalia of government, all the machinery of finance, production and trade. She was left, after the war, with a decimated and exhausted population, mobilised and scattered, which had grown unaccustomed to the routine of the economy of peace time, with large districts devastated and still larger territories uncultivated or unfertilised, with a factory equipment, much of which was worn or gutted, and much unadapted to the production of the goods required, with a

famine in raw materials and in many places in foodstuffs, and with derelict means of transport. The material destruction has now been made good, there is no shortage of raw materials, nor in most cases of man-power, though there may be a lack of leaders. Except in the actual fields of conflict, the dislocation caused by the war has proved immensely more serious than the material destruction.

In the Summary Memorandum on Various Industries, published by the League of Nations, the character of this dislocation and the major causes of the relative failure of Europe are enumerated.

Industry, more especially in Europe, it is pointed out, has been hampered by a maldistribution of fixed capital and the financial and other difficulties which result from the existence of an equipment for production in excess of immediate market requirements.

This excess of plant is perhaps greatest in the heavy metal, shipbuilding and dyestuffs industries, which were greatly expanded in belligerent States during the war. Other industries, more especially cotton, have been hit by the competition of new factories installed in countries in which the raw material is obtained and in those distant from the centre of warfare, which for four years were unable to draw their needed supplies of manufactured goods from Europe. Thus Japan and the United States are together consuming nearly two million bales more cotton than they did about 1913, and Europe nearly two million bales less. The number of cotton spindles has increased in Japan by over 140 per cent., in Brazil by over 100 per cent., in British India and Canada by over a third, and in China, for which precise data are lacking, probably more even than in Japan. The surplus equipment has been further increased since the Armistice by the erection of plant in European countries which were anxious to render themselves in so far as possible independent economic units.

The growth of plant in the Far East, South America and other countries to which Europe looks for her supplies of raw materials, though stimulated by the war, is a natural

development. With the improvement in technical education and the gradual expansion of domestic markets raw materials will inevitably be made up to an increasing extent where they are obtained.

In certain cases not only has industrial equipment been increased but the demand for industrial products has contracted on account of changes in fashion or of technical improvements. Thus the demand for pig iron has been reduced by the increased use of scrap; of cast iron by the substitution for different purposes of steel or aluminium; of cotton, and to some extent of woollen yarn, by the enterprise of silk and artificial silk manufacturers.

Demand has been further affected by the general impoverishment of Europe immediately after the war, by changes in the distribution of wealth, and by inflation. A smaller proportion of a reduced income has been available for saving, the export of capital has accordingly greatly diminished, and those industries which were largely concerned with the manufacture of goods required for the development of the younger communities of South America, Oceania, etc., have suffered. According to the British experts, in the United Kingdom "the proportion of the total income of the country which is set aside has fallen from 16 per cent. before the war to about 12 per cent. in recent years. . . . The deficiency in savings has chiefly affected the export of capital, which has been greatly reduced,"¹ and hence the export of goods, and it is to a deficiency of exports that unemployment is mainly due. The contraction in European savings, moreover, affects not only export industries but all those which manufacture capital goods, whether for foreign or domestic use.

But the greatest impediment to economic revival, at any rate up to the beginning of 1924, was constituted by lax financial measures, extravagant expenditure, inadequate taxation and the consequent inflation of the currency for revenue purposes. The instability of prices and of the ex-

¹ *Principal Features and Problems of the World Economic Position from the point of view of different countries. Series I, p. 23.*

changes which resulted rendered the normal calculations of future profit and loss impossible. In countries in which inflation was rampant demand was stimulated into an artificial and indiscriminating activity and expressed itself more as a preference for any goods to paper money than as a reasoned or natural preference for this article to that. The normal relationship of values was thus upset and was rendered further unstable by the fact that the prices of domestic goods seldom rose as fast as those of foreign currencies and, therefore, foreign goods, and that wages lagged behind domestic prices. Production was at once stimulated and disorganised, and those industries which depended on domestic raw materials or whose costs consisted largely of wages, reaped a special temporary advantage. They reaped a further advantage in foreign markets, and as this advantage depended at once on the rate and the degree of inflation, and as the rates and stages of any two countries rarely coincided, an international chaos resulted through which industrialists endeavoured gropingly to find some way of escape. Business in countries with stable currencies was, if not equally, at any rate seriously affected, for the stable home market was threatened now from this side, now from that, by the influx of goods produced under inflationary conditions, and foreign markets were either similarly flooded or were able temporarily to meet their requirements from home sources at uneconomic prices owing to local inflation. While these conditions obtained, savings required to make good the damage done during the war dried up, and such capital as was forthcoming was, to a great extent, either frittered away in the erection of a plant to meet a purely abnormal and temporary demand or was diverted to other countries in which the currency conditions were stabler and the need of capital less urgent.

But it is impossible to endeavour here to recount even the more obvious ills to which inflation gave rise. It is likewise scarcely possible to exaggerate its evil effect or those of the policy of deflation which many countries,

including the United Kingdom, pursued at one time or another during the last eight years. Under deflation, it is true, confidence in the value of the currency is not undermined and saving may be stimulated. But expected profits are converted by falling prices into actual losses, enterprise is crushed and labour disputes are rendered unavoidable. The debtor must suffer, and the leaders of industry must borrow.

Monopolistic Tendencies.

From the beginning of 1919 until the end of 1924, currency instability was undoubtedly the most important of the many factors which hindered economic revival in Europe. It is so no longer. But it has left behind it a disequilibrium of values, a righting of which is a pre-requisite of a sound economic situation and permanent economic progress. To this disequilibrium other forces have contributed inasmuch as they have hindered the natural tendency towards the re-establishment of relative values more similar to those which existed before the war.

If at any moment in, for instance, the year 1923, the wages of labour, prices of goods, rents of houses, exchange value of currencies, etc., be measured, the results will be found to represent a jumble of grotesque anomalies. But these anomalies, in so far as they were disadvantageous to one group of people, seemed to be or were actually to the advantage of another. Vested interests grew up in favour of the maintenance of the disequilibrium. These vested interests have contributed to the erection of a series of dams, some great, some small, checking the free flow of labour, of capital, of goods, checking the output and production of wealth, and hindering its distribution. The essential defect of European economy to-day is lack of freedom. It is neither conceivable nor desirable that Europe should revert to the conditions of *laissez faire* which obtained in the first half of the nineteenth century, or even to the modified form which was permitted at the end of that century. But, if dams are to be constructed, they must constitute part of a co-ordinated scheme of irrigation and not be set up hap-

hazard in favour of sectional interests. It is for that reason that the calling of an international conference at the present juncture was considered opportune. What then is the character of these obstructions to industrial development and the equilibrium of values ?

(a) *In the Labour Policy.*

The introduction of the eight hours day, the competition of cheaper oriental and other labour, the drop in the demand for certain commodities, the contraction of savings, have all in certain industries, in one country or another, created conditions under which output and the numbers previously employed could only be maintained by a reduction in prices and in wages. Further, in countries which have pursued a monetary policy involving a fall in prices, such as the United Kingdom, Switzerland, Denmark and Norway, a general reduction in the level of money wages has had to be effected. But in each country and in each industry the extent to which such reduction has proved possible has depended on the strength of the particular labour organisation on the one hand, and the directness of the force of competition on the other. Hence arose the distinction in wage levels between sheltered industries and others. Transport workers and builders, to take two typical cases, have managed to defend their own interests at the cost of the community as a whole. Thus Dr. von Siemens pointed out in his opening speech at the Economic Conference that in Germany "whereas prices . . . are only about 35 per cent above the pre-war level, building costs are 73 per cent higher according to the official index, and 90 per cent higher in actual fact. . . ." But certain of the protected industries which have been able to maintain wages above the level ruling in those manufacturing goods for the world market, render services such as the transport of goods or the erection of buildings, which constitute an unavoidable element in the costs of production of others placed in no privileged position, and these others have for their part appealed to their Governments for protection against "un-

fair foreign competition," duties have been imposed or heightened, and the whole level of prices and costs of living raised. The difficulties have been greatest in those countries which have pursued a deflationary policy and have endeavoured to depress the general standard of money wages; and in many cases the control of the labour supply has been sufficiently effective to keep up the average wage rates above the point at which employment for all could be found. At the same time the possibility of finding employment for all has been limited by the difficulty of diverting labour from one industry and one labour organisation to another. As Professor Cassel says in his memorandum entitled *Recent Monopolistic Tendencies in Industry and Trade*, "Europe is like a manufacturer who keeps his prices too high and who is, therefore, obliged to store a part of his products. What Europe is storing, however, speaking broadly, is not goods but unemployed labour."¹ It is estimated that the unemployed and their dependents in Europe, exclusive of Russia, at the moment exceed ten million persons. Inasmuch as it is mainly the industrial workers who are inactive, the quantity of industrial goods being produced is restricted and their prices relatively to agricultural products are naturally high.

It does not follow that this insistent endeavour on the part of active labour to maintain its standard of living even at the sacrifice of the unemployed is unwise or in its ultimate reactions necessarily detrimental; but it constitutes one of the major factors in the present-day situation.

Economic recovery has been further impeded and the sum of European unemployment magnified by restrictions imposed on the free movement of persons from country to country, by immigration laws, passport control, excessive charges for passport visa, etc. Immediately before the war the net immigration into the United States of America exceeded 600,000 persons per annum, and the gross immigration from Europe alone was over a million and a quarter.

¹ Cf. *Recent Monopolistic Tendencies in Industry and Trade*, by Professor Gustav Cassel, p. 11.

The total immigration quota has now been fixed at 165,000. The damming back of the streams of emigrants to America has been compensated to some slight extent by diversion to other extra-European countries and by intra-European migration, more especially from Italy and Poland into France. But the compensation is meagre. The difficulty of finding employment under the conditions which have obtained in recent years, the inequality of wages resulting from currency inflation, the spirit of economic nationalism and the national jealousies which the war bred, have induced most European states to resist the introduction of foreign labour and to place obstructions in the way of foreigners desirous of establishing business and pursuing their professions outside their own country. This cooping up of European peoples within their own frontiers has had an effect both on general economic progress and on national policies which is frequently greatly underestimated. As we shall see below, it is on the score of surplus population that many of the restrictions to the free flow of goods or capital are imposed.

The restrictions imposed on immigration have, in addition, reduced the flow of remittances to Europe, and in consequence her demand for foreign goods has been weakened.

(b) *In Commercial Policy.*

The movement of goods is, to some extent, still impeded by defective means of land and river transport, by lack of co-ordinated policy between riparian States, by the unsuitability of the old railway network in Europe to her new political divisions. The effect of the Treaties of Peace was to increase the number of independent States from twenty to twenty-seven, to sever markets from their old sources of supply, and to cut up the living economic organisms which had slowly grown up within the existing political boundaries and inevitably arrest their development for a time. The consequent grafting and the reorganisation which was necessitated is not yet completed. But the main obstructions to the free flow of goods are legal and administrative

in character, not material. It has been calculated that there are to-day over 11,000 kilometres more of customs frontiers than there were in 1913. The tariff walls which have been erected along those frontiers are in the great majority of cases also far higher than they were. The exact extent to which those walls have been heightened cannot, unfortunately, be accurately ascertained; but an attempt has been made by the League of Nations to show approximately the changes which have taken place, which though confessedly based on rough data and only approximate in its results is, nevertheless, not without value.

Two methods of calculation have been employed. The first (Method A) gives the averages of the rates fixed by special conventions and the autonomous rates separately, and the second (B) the general average of all rates actually enforced. Special calculations have also been made according to the second method for manufactured articles only. The results obtained are shown below:

TARIFF LEVEL INDICES¹

	Method A.		Method B.		Method B. Manuf. Art.	
	1913. (i)	1925. (ii)	1913. (iii)	1925. (iv)	1913. (v)	1925. (vi)
Argentina ..	—	—	26	26	28	29
Australia ..	11-13	14-19-24 ²	(17)	(25)	(16)	(27)
Austria ³ ..	18-22	13-15	18	(12)	18	16
Belgium ..	6	7-23	6	8	9	15
Canada ..	12-17-19 ²	12-17-19 ²	18	16	26	23
Czecho-Slovakia ³	18-22	17-24	18	19	18	27
Denmark ..	8	6	9	6	14	10
France ¹ ..	14-21	9-31	18	(12)	20	21
Germany ⁴ ..	12-16	15-16	(12)	(12)	(13)	(20)
Hungary ^{2 6} ..	18-22	19-22	18	23	18	27
India ..	3	13	4	14	4	16
Italy ..	—	16-18 ¹	17	17	18	22
Netherlands	2	4	3	4	4	6
Poland ..	—	24-28	—	23	—	32
Spain ..	23-30	28-30-81	33	44	41	41
Sweden ..	13	10	16	13	20	16
Switzerland ..	(5)	(9) ¹	7	11	9	14
Yugo-Slavia ..	—	20-30	—	23	—	23
United States ..	32 ⁶ -17 ⁷	26	33 ⁶ -16 ⁷	29	44 ⁶ -25 ⁷	37

NOTE—For references see foot of p. 31.

The later indices refer to the year 1925, since when certain changes have taken place. Of these the most important are the raising of the Austrian, German and French duties. Probably the figure for Austria in column (iv) should be raised from 12 to about 16, and that for Germany from 12 to 14-15. The exact degree of increase in France is more difficult to ascertain, but the present average is certainly higher than that which ruled in 1925. The recent rise in the value of the Danish currency has also, no doubt, raised the effective rates in Denmark. On the other hand, the Hungarian average has been somewhat reduced as a result of the conclusion of commercial treaties.

The situation to-day is that tariffs are generally higher—though they are lower in Scandinavia—that they have been increased most in Spain, Central Europe and India; and that the increase in rates on manufactured goods is very much greater than on other commodities. In point of fact, duties in most European countries on agricultural products and semi-manufactured goods are now less than before the

¹ The reader should be warned against the danger of a false interpretation of these figures. Owing to the character of the data on which they are based they are necessarily of only approximate accuracy and represent a measurement of tariff levels dependent on a somewhat special conception and definition of that term. The absolute size of the indices has little significance. Attention should be paid only to their ratios, and these ratios should be accepted only as illustrative of general tendencies. For a detailed discussion of the principles and problems involved the reader is referred to the League of Nations pamphlet, entitled *Tariff Level Indices*, 1927.

² British Preferential Tariff, intermediate tariff, general tariff. The results for Australia under Method B. are too high.

³ Pre-war figures refer to Austria-Hungary.

⁴ The present-day rates are higher than those shown for 1925. The lower line figure for Germany for 1925, Method A, refers to the pre-October 1925 tariff.

⁵ The present-day rates are lower than those shown for 1925 (Method B). The lower figure in the 1925 column, Method A, refers to present-day conditions.

⁶ 1913 Tariff.

⁷ 1914 Tariff.

war. It is not surprising, therefore, that the prices of agricultural products should be relatively low. The cost of production has been raised against the land worker by the excessive tariffs on manufactured goods, and his selling prices have been reduced.

But tariffs as a whole are not only higher, they are incomparably more complex than they were, and they are more frequently modified.

Certain of the causes of the higher rates of duty are carefully summarised in the report of the Economic Conference, and I cannot do better than quote the opening paragraph of that report on this subject. "This state of affairs is largely due to a desire to meet the abnormal conditions arising out of the war. For example, many duties have been raised as a protection against an influx of goods from countries with a depreciating currency. Experience has proved that even the most rapid manipulation of tariffs is not an effective method of dealing with the still more rapid changes which are caused by monetary instability. Such attempts are a source of new difficulties for commerce and are themselves a source of uncertainty. Again, in the countries themselves, whose currency has been depreciating, tariffs have been raised in order to check imports in the hope of stopping the depreciation. Finally, it has sometimes happened that, where depreciation has been followed by appreciation, Customs duties payable in paper money which had been raised during the inflation have not been correspondingly reduced when revalorisation occurred. These unstable currency conditions have to a considerable extent passed away; but the tariff and other measures which have been specially employed to deal with them have not yet wholly disappeared."¹

Tariff policy has, however, changed for reasons less directly connected with currency problems.

The world before the war had accepted a system of tariffs which not only opposed lower obstacles to trade but, above all, was relatively stable over considerable periods of time.

¹ Appendix 1:

Most new tariffs were carefully prepared and adjusted through a series of commercial negotiations and were only put into application when these negotiations were completed. When enacted, they frequently remained in force for a decade or more and were then re-enacted with comparatively small changes.

In recent years a new system of *tarifs de combat* has grown up, under which a tariff much higher than it is intended should ultimately operate is put into force and negotiations subsequently begun with neighbouring States for a reduction of rates by means of conventions. The negotiations leading to such conventions may or may not succeed, and when they fail, rates of duty are left which it was never seriously pretended would be beneficial in their action. Moreover, the negotiations themselves are frequently protracted, and during the period of their conduct new vested interests are liable to grow up.

Not only is the manner in which these negotiations are initiated open to criticism, but the Conventions, once concluded, are enforceable for very much shorter periods than before the war. Of about 180 treaties published between 1920 and August 1926, all except twenty-seven could be altered before the expiration of a single year, a period which is much too short to permit trade to adjust itself to the new conditions. The flow of trade is thus being constantly dammed back and forced painfully into fresh channels, and the conclusion of long term contracts on which economic stability so much depends is rendered extremely difficult.

At the same time, the general adoption of specific tariffs, taken together with the growing complexity of industrial organisation and the constant increase in the number of different types of articles manufactured, has, in many countries, made the classification vastly more complex than used to be the case. Countries have drawn up their own classification and adopted their own system of nomenclature, independently of each other, with the result that it is almost impossible to ascertain what the rates imposed on any particular article throughout the world really are.

The growth in the complexity of tariffs as well as in their height is due in the great majority of countries to a desire to afford a greater degree of protection to industries manufacturing finished articles.

If we consider, however, the whole mass of trade barriers, it is clear that, serious as they still are, the situation has greatly improved during recent years. In the immediate confusion after the Armistice many States prohibited all imports and exports except by special permit. This policy of general prohibition modified by specific free lists was gradually replaced by one of general freedom modified by the prohibition of specific articles. This in turn gave way to the system of "contingents." As conditions grew better and fears of a shortage of raw materials disappeared, contingents were abandoned in favour of the more normal and indirect control of trade through customs duties. While currencies were fluctuating, these tariffs were subject to continual modification either to prevent "exchange dumping" or with the idea of assisting the balance of trade in the inflating country, and so reducing the strain on its domestic currency. The effects of currency fluctuations are still visible in many features of existing tariff systems, and the raising of the rates in several countries during the last two years has been directly connected with monetary policy. But as currency stability is gradually achieved, the probability of future instability diminishes.

(c) *In Financial Policy.*

The deliberate restrictions imposed on the free flow of capital to-day are insignificant compared with those directly hampering trade, though most inflationary countries have at one time or another instituted a control of exchange, with the object of preventing the export of capital, and others have imposed unfortunate taxes on capital transactions or endeavoured, with the worst results, to fix the market rate of interest by decree. The main impediment to the movement of capital has been lack of security and lack of confidence. Thus the Swedish delega-

tion observed in its preliminary statement to the Conference that "the most marked feature of the capital market has been a glut." Meanwhile, in other European countries, the dearth of capital has been such that rates of 20 to 30 per cent, and in certain cases for brief periods still higher amounts, for loans on the best available commercial securities were current. But while the restrictions imposed on the movement of labour and of goods have been deliberate, those which have affected the capital market have mainly been the automatic result of general economic insecurity. The differences between one country and another in the price paid for loans and advances have usually represented insurance premia against varying risks—premia which sank rapidly as the risks diminished. Thus in Germany, monthly money rates in the first ten days of 1924 ruled as high as 23·7 per cent per month; by December they had fallen to under 1 per cent, and by the end of 1925 to 9·6 per cent per annum. The differences in wages and the prices of groups of commodities, on the other hand, indicate an artificial isolation of markets.

(d) *Industrial Agreements.*

An endeavour to bridge these natural islands has been made in recent years by industrialists by means of international cartels, or other forms of international economic agreements. These cartels have, in certain cases, had exactly the same effect as tariffs in limiting production, but in a somewhat different manner. When a tariff limits production, it does so by depriving an existing operative plant in another country of its market, and rendering it temporarily or permanently superfluous, and by diverting labour and capital in the protected market from the uses to which they were previously put to some other purpose to which they could not have been profitably put had it not been for the duty imposed. The amount of the protected commodity finally produced, unless the country imposing the new duties has special facilities for production which only required a fillip in the first stages of organisa-

tion, is likely to be less than before the tariff was modified, because demand will be affected by the rise in prices resulting from the new rates, and the duplication of plant involves a waste of effort. The effects of the tariffs are thus indirect. The effect of international agreements, and likewise of domestic cartels, is frequently direct, each producer or producing nation being allowed a fixed quota of output, which he cannot exceed without paying some fine or penalty. Such restriction of output has frequently been resorted to when the available plant was excessive. When there is reason to believe that the lack of equation between capacity and demand is of a temporary character it is preferable to cut-throat competition. But national and international agreements have in recent years taken innumerable forms, and are by no means confined to cartels intended to restrict output, allocate markets or maintain prices. The greater complexity of modern industrial conditions and the lessened fluidity of economic forces render co-operation and concerted planned action between producers indispensable. The post-war development in Finland, which has been more rapid than in any other European state, is probably attributable more to the organisation of co-operative selling agencies in each industry—in effect a form of cartel—than to any other single factor. These selling agencies receive, sift and group all contracts and allocate them in such a manner that each firm, instead of producing a dozen or more different lines of goods at the same time, is enabled to specialise on a few contracts of an identical character with all the economies of larger scale production. The agency, moreover, is in a position to enforce a standard of quality, in the same way as do the co-operative dairies in Denmark, Latvia, Estonia and elsewhere. Similarly, in the international field a standard is maintained and waste avoided by the elimination of superfluous types by associations such as that of the Electric Lamp Bulb manufacturers. This is, however, an extreme type of association with exceptional powers. Others confine their activities to studying technical and

statistical questions connected with the industry, establishing machinery to deal with disputes, etc. But whatever form the associations or agreements take, they all represent an effort on the part of industrialists to study and solve the problems which beset Europe to-day, to counter the effect of political parcellation and economic isolation, to join and not to cleave. In certain cases their effect and, indeed, their immediate object may be to sacrifice the consumer or the general public to some particular interest, and dangers necessarily lurk in all forms of monopolistic power. But without concerted international action, international difficulties will not be overcome.

The coal industry affords an extremely instructive example of the type of difficulty with which post-war industry is faced, and the effect of unco-ordinated action. The story is, of course, a long one, and cannot even be sketched in outline here. But the essential predominant facts are simple enough, though frequently obstinately ignored. The demand for coal in the world as a whole is very slightly less than in 1913, coal having been replaced to a great extent by hydro-electric power, petroleum, etc., and great economies in use having been achieved. On the other hand, the readily available supplies have increased, owing to the natural growth of mining, especially in Asia and Africa, and because, during the war or the post-war periods of (artificially) high prices, every importing and producing country in Europe, save Russia, developed its mines. Three exporting countries, the United States, the United Kingdom, and Germany, accounted before the war for over 75 per cent, both of total world exports and of world production. The competition to which the new conditions of demand and supply gave rise resulted in efforts to lower wages and lengthen hours of work, first in this country, then in that. The full force of that competition has been veiled by the influence of political events. But from its nature only one of three results was possible—the closing down of certain mines on the margin of profit-making productivity, or an agreed limitation of output, or a series of crises under which

first one and then another country ceased producing. In fact the third possibility has resulted. Either political events, such as the occupation of the Ruhr, or strikes or lock-outs in one country or another have stopped production locally, stocks which were accumulating and threatening to bring about a collapse in prices have been depleted, and for a time, until those stocks were reconstructed, it has proved possible to resume work in all areas. But these temporary stoppages have done little or nothing to solve the problem, and to-day stocks are accumulating again and threatening a new explosion at whatever proves to be the weakest point in the unvalved boiler. I take coal because it illustrates the effects of lack of co-ordinated action. But the essential conditions in the iron and steel industries, in cotton, in dyestuffs, in shipbuilding, even in mechanical engineering, are not vastly different. In all these industries the power to produce exceeds the demand for their products.

Summary of Factors which have affected Industrial Development.

Looking back, then, on the account which I have endeavoured to give of the factors which have adversely affected industrial production, and hence the relative prices of agricultural and industrial goods, we find that the change in values has been due in part to a disequilibrium between productive capacity in certain industries and the demand for the products of those industries—a disequilibrium which, whether caused by the extension of plant in newer industrial states or to technical advance, has resulted in much fixed capital and the labour which tends to cling to it remaining idle. Meanwhile the supplies of fresh capital becoming available were inadequate. It has been due in part to the disorganisation which has involved incalculable waste effort and affected the more delicate industrial mechanism to a greater extent than agriculture. It has been due in part to deliberate restrictions imposed on the free movement of men, money and goods, restrictions which again have particularly affected industry; for agricultural labourers are

in all countries the most acceptable immigrants, and the monopolistic control of their wages is rarely of significant importance; and though the export of foodstuffs and raw materials has frequently been restricted in the past eight years in certain European countries, and is to some extent to-day, such control is unimportant compared with the tariffs on finished industrial products. Nor has the itemisation of tariffs, which has forced manufacturers to specialise their production for each market in order to penetrate through such fissures as exist in each tariff wall and has thus prevented mass production and rendered impossible all the economics which repetitive manufacture permits, affected agriculture to the same extent. Industrial goods are dear because the costs of production are high. The costs of production are high because the available capacity to produce is not employed. The available capacity to produce is not employed, partly because it is deliberately held off the market—and partly because it is not fitted for the demand which to-day is effective.

International Indebtedness.

But there is another factor in the situation which must not be overlooked. The politico-economic problems, on which attention was concentrated until very recently, such as war debts and reparations, have been so far regulated as no longer to constitute the major impediments to recovery or immediate causes of general uncertainty and insecurity.

These debts have, however, created a fundamental change in the general international economic equilibrium. An international, like a domestic, debt affects the distribution and not of course, or only very indirectly, the production of wealth. It is impossible really to make posterity pay for the costs of the war, for the excellent reason that the goods and services required were required at once, and posterity can only produce wealth, that is goods and services, after it has been born. There has been a change in the distribution of wealth between Mr. Smith and Mr. Jones, and between this country and that. The United States of America

has been converted from a debtor nation into the second greatest creditor nation in the world and the largest lender. France and Germany have now both to pay more abroad for debt service than they receive, and the United Kingdom has had to reduce her capital exports.¹

This new situation has affected the production and trade of different parts of the world in a number of ways. The recent loans granted by the United States—the post-war reservoir for gold—have taken the form of goods, and her exports have accordingly increased as the exports of Europe, no longer able to lend so much as formerly abroad, have diminished. These loans, which have been utilised largely in the work of reconstruction, have expedited the economic restoration of Europe, and at the same time stimulated the industrial development of America.

But Europe's claim upon the rest of the world for interest and amortisation of debt has been diminished, and as the payments were previously made largely in the form of foodstuffs and raw materials required for her industrial population, her demand for these goods has likewise been affected. The weakening of her capacity to lend has, on the other hand, at once reduced the demand for certain of her industrial products and checked the opening up of the economically newer countries of the world. These newer countries have, however, turned for assistance to the United States.

Though the influence of the changes in the debt situation is probably not so great as that of the power to lend, or the other factors which we have considered above, it may well be that when currencies are finally stabilised and tariff policies are co-ordinated and some of the youthful vanities of economic nationalism laid to rest, the balance of indebtedness will prove to be one of the most, if not the most important, cause determining the poise of the balance of relative values.

¹ Moreover, part of the capital raised in London for export is subscribed by foreign lenders.

The World-wide Character of Certain Problems.

In the foregoing analysis I have intentionally looked at the course of events and watched the play of forces from the point of view of Europe, for it is in Europe that the difficulties are gravest, and it is in Europe that the forces we have been considering tend to converge, clash, act and react. But the problems are by no means confined to one continent. The price of foodstuffs affects all the agricultural countries of America, Oceania, etc. The depression in agriculture has probably been more serious and far reaching in its effects in the United States than in any other country. Both there and in Japan serious losses have resulted from the excess of world tonnage and shipbuilding docks. The level and the variations of tariffs affect all trading states, and the reduction in European savings all borrowers and potential borrowers. Nor must we exaggerate the weakness of Europe, or underestimate the progress of the last few years. Europe has lost ground, but she remains the greatest international market for industrial products in the world; her trade is smaller than it was in 1913, and there has been a shift in the centre of gravity from the Atlantic to the Pacific Ocean, but it is still 50 per cent of world trade; and the development has been most rapid recently in Eastern and Central Europe, where the conditions were worst.

Grounds for Optimism.

Progress has been impeded more by currency instability than by anything else. For that instability has been the ultimate cause of a large proportion of the legal and administrative obstructions to freedom of trade and intercourse, and has rendered concerted international action almost impossible. In 1920, at the time of the Brussels Financial Conference, the only European belligerent state which had achieved budget equilibrium was the United Kingdom. To-day there are only three countries on the continent which are suffering from deficits, and only seven which have failed to introduce legislation for the effective

stabilisation of their currencies, and in none of these seven is Government inflation being practised. Though all currencies are not yet based on gold, and though measures may have to be taken in order to check fluctuations in the purchasing power of gold itself, sufficient stability has been achieved to render possible a partial solution of the economic problems which beset the world.

THE THEORETICAL SOLUTION AS SEEN BY THE CONFERENCE

BY PER JACOBSSON.

THE title above raises the question whether there is such a thing as a theoretical solution; for it may be maintained that the Conference confined itself to formulating certain practical principles, on which representatives of the most diverse theoretical schools succeeded in arriving at agreement. It is stated quite explicitly in the Report (1) that "the Conference does not attempt to pass judgment on the fundamental principles of protection and free trade respectively;" and (2) that certain facts emerged "in spite of the variety of questions raised, the diversity of theories, and the legitimate national sentiments." Nevertheless one is perhaps entitled to speak of a theoretical solution. The Report explains that "the Conference has used its best endeavours to discover and analyse the fundamental causes of the troubles from which the world is at present suffering and to find remedies which, if they will not effect a complete cure, will at least afford some of the relief for which the civilised world is so insistently calling." This analysis of causes and prescription of remedies necessarily involve a conception of a theoretical character.

Before we proceed further it may be well to point out that the great guiding principles were laid down in the League of Nations Assembly resolution of September 24th, 1925, which gave as the two objectives of the Conference: the revival of general prosperity and the establishment of economic peace. It is evident from the work of the Conference that these two objectives are to be reached by the same road: in other words, those measures which are

likely to produce greater prosperity are also those which will help to eliminate causes of friction, or as the President, Monsieur Theunis, expressed it in his closing speech: "The fact that international trade is normally and properly not a matter of victory and defeat, or profit of one at the expense of another, but of mutual benefit, has necessarily been the basis of this international Conference." It was found again and again during the Conference that the feeling of insecurity and all the other manifestations of international animosity led perhaps more than anything else to the adoption of policies detrimental to the wealth of nations. The Conference, of course, recognised that the line of action which would produce maximum prosperity could not be taken as the sole criterion in determining every feature of the policy to be adopted; but it was anxious to lay stress upon the facts that not only are arguments concerning the protection of industries for national defence purposes often misused in order to cover exclusively economic objectives, but that the development of increased self-sufficiency for nationalist and other reasons in most cases involves a sacrifice of material prosperity.¹

When the Great War is justly assigned as the first cause of the present economic difficulties it is often thought or implied that it is the *destruction* of both life and property wrought by the war which is still producing its effects.² The documentation prepared for the Conference shows, however, that there is in reality no shortage of productive power if it could only be correctly applied. In spite of the millions of men killed and wounded

¹ It has been pointed out in a newspaper report dealing with the Conference that those countries which, according to the statistical investigations into tariff levels carried out by Great Britain in 1925 and by the Secretariat in 1926, have the highest protective tariffs, are the Argentine Republic, Brazil, Spain and the United States of America—just those countries including Russia with a foreign trade monopoly, which keep politically aloof from the League.

² For a full and authoritative discussion of the economic situation at the time of the Conference, see Mr. A. Loveday's article entitled "The Problem: World Economic Conditions," contained in this volume.

in the war, the total population of Europe is to-day 1 per cent larger than before the war, and the working population is still greater, there being now relatively fewer children than in the years preceding the war. The large numbers of unemployed form a reserve army only waiting for the moment when full industrial activity can be resumed. As regards natural resources the figures show that in the world as a whole the production of foodstuffs and raw materials in 1925 was from 16 to 18 per cent higher than before the war, and in Europe about 5 per cent higher. This fact is of outstanding importance; for it disposes at once of all the proposals to establish international control of raw materials so frequently put forward during the Peace Conference and in the years succeeding it. Instead of a shortage in the supply of raw materials inducing the fortunate possessors thereof to provide for their own needs in the first place, the producers are only too anxious to sell, their difficulty being to find sufficient markets for their goods. But the Conference passed a strong declaration in favour of free and unhampered circulation of raw material, condemning the imposition of export taxes which tend to increase the cost of production in foreign countries by placing them in a position of unfair inferiority and thus aggravating the inequalities arising from the geographical distribution of world wealth.

But if man-power and natural resources are fully available, there has been and still is in many countries a lack of the third agent of production—capital—the low level of production that followed the war having left in Europe scarcely any margin for savings.

But the recovery of production, together with a growing sense of security, has revived the process of saving and stimulated the international movement of capital, the gradually falling interest rates in most Central and Eastern European countries being a sign of the increased though still inadequate supply.

It may be noted in passing that the shortage of capital is stated to have had the effect not only of limiting in-

dustrial activities in general, but particularly of restricting the demand from such industries as the iron and steel industry which are largely concerned with providing fixed capital in various forms. This statement is in full accord with the doctrine of classical economic theory, and it was found that all the delegates—the representatives of labour as well as the bankers—were in complete agreement as to the rôle played by capital in economic life and the need for savings for the development of commerce, industry and agriculture.

Having thus taken stock of the supplies of labour, raw materials and capital, the Conference was driven to accept the fact that the main trouble is not insufficient productive capacity, but, in one form or another, a *maladjustment* of the economic system. The most fundamental example of such maladjustment is to be found in the widespread depression in agriculture, characterised by the disequilibrium between the prices of agricultural and those of manufactured articles, so that the farmer must pay dearly for the manufactures he buys, but only obtains relatively low prices for his own products. Whatever may have been the cause of this price disequilibrium in the years immediately after the war, the information available for 1925 and 1926 tends to show that it is no longer due to abnormal production of food-stuffs; on the contrary, further restriction of agricultural production would be highly detrimental and should be avoided. The main causes must be sought in the factors on the demand side, i.e., the conditions of industrial output and the pricing of that output. The fact is that in practically every country in the world, the protective duties on industrial products are higher than those on agricultural products, which must, of course, influence the price equation; further, in the manufacturing communities in Europe, the best customers of the agricultural districts, the unemployed number more than 4,000,000 (more than 10,000,000 including dependents) and the trade of the various European nations has fallen by 11 per cent. The Middle-West farmer in America and the colonial producer

of raw materials have the greatest interest in securing that a solution should be found to the aggravating problems of European depression.

When analysing the resolutions of the Conference it is necessary to bear in mind that population and financial questions were only to be dealt with by the Conference in so far as those questions affected the main problems of commerce, industry and agriculture. This restriction in the programme became of especial importance with regard to the labour problem. The Conference recognised that the reduction in the streams of emigration had had an influence on the distribution of industry, on commercial policy and on trade; but it did not go further into the question. It showed an extraordinary reticence on this subject: when it noted that "the problem of population has induced certain countries which have a surplus of labour to base their customs protection on that argument," it offered no comment whatever on the validity of the argument. The labour problem in general was also avoided: The Conference said that the disproportion in the wage levels in various trades, in the prices of various commodities, and in the relation between wages and prices, often leading to industrial disputes and sometimes to great social changes, must not be overlooked in the attempt to explain the causes of the present economic disequilibrium; but that these matters were outside its terms of reference.

With regard to *capital* the Conference pointed out that the rapidity with which rates of interest had fallen in Central Europe was to a certain extent a reflection of the growing freedom of the movement of capital; but it was not able to agree upon a general resolution advocating the removal of all hindrances to the free flow of capital, as proposed by some members.

The Agricultural Commission dealt particularly with the question of agricultural credits and passed resolutions on the subject which also foreshadowed the possibility of international action. The most important of the considerations regarding capital was, however, voiced by the Com-

merce Commission in the following terms : "The desire to deal with the problem of excessive industrial capacity has usually led to an attempt to reserve the home market for home production by means of tariff barriers erected with a view to creating an independent national economy capable of producing, under the protection of a tariff wall, an increase of invested wealth and a more satisfactory return for the work of the nation. This effort to attain self-sufficiency cannot hope to succeed unless it is justified by the size, natural resources, economic advantages and geographical situation of a country. There are very few countries in the world which can hope to attain it. The artificial increase of plant which is only partly employed has meant not only uneconomical and costly production, but also a wasteful use of the world's capital resources. It has thus been one of the causes which have maintained an abnormally high rate of interest in recent years. It should be added that so long as unduly high tariffs are maintained this uneconomic use of capital continues and creates an increasing number of vested interests, which resist a return to a sounder policy."

Here we find the central idea which animated the Conference : that, in order to arrive at better utilisation of the productive power available and particularly of the limited supply of capital, it is necessary in the first place to remove the obstacles which stand in the way of a more rational organisation of economic activities. The main cause of the maladjustment is to be found in what the Conference called "the extreme forms of obstruction" which were imposed during and after the war. Again and again this and similar phrases recur in the report : Reference is made to "the existing obstacles to trade," "tariff barriers that gravely hamper trade," etc. But it is not in the interest of commercial circles alone that trade barriers should be removed. As these barriers tend to increase the cost of industrial production and reduce the total output of all countries, they are inimical to the general interest. The agricultural section recognised this fact by urging that "in those states in which customs protection is maintained, it should be

reduced for both industry and agriculture to the lowest possible point indispensable to production."¹ The whole Conference was thus able to declare that the time had come to put an end to increase in tariffs and to move in the opposite direction. It is indeed noteworthy that this was the attitude taken up by the Conference; for it involves fundamental belief in the powers of economic forces themselves to correct the errors which have been made, if those forces were allowed to develop freely. Thus the task of the Governments at present is not to attempt to direct the economic activities of their respective countries by compulsion or protective measures, but to remove those numerous obstacles which still hinder economic revival. In conditions of greater freedom it will be possible to build up a more scientific system of production, which will provide the peoples of the world with more and better commodities. The idea underlying the plea of the Conference for freedom is, therefore, the desire to achieve in the economic field a greater measure of *rationalisation*. In this one word the aim of the Conference may be summed up; for it forms the basis not only of its negative recommendation to abolish hindrances to free competition, but also, as we shall see later, of the positive measures recommended by the Industrial and Agricultural sections. The belief of the Conference that free competition is advantageous to society in general also pervades the paragraphs dealing with State participation in business. It was not the task of the Conference to make a pronouncement upon the relative advantages of private enterprise and publicly controlled undertakings, and it did not do so; but, having considered the fact that certain Governments, when participating in the control or management of commercial, industrial, banking, maritime

¹ In a speech in the Agricultural Commission M. Five of the Norwegian delegation explained that all the members of the Commission, with the exception of the delegate from the United States, would have preferred a resolution stating even more clearly the advantages to agriculture of a reduction in industrial protection, and therefore recommending the progressive reduction of industrial protection as an aid to agriculture.

transport or other enterprises, claim, in virtue of their sovereignty, various privileges, immunities or other advantages for those enterprises and have also at times secured the granting of similar advantages by other countries in virtue of international comity, the Conference found that such advantages constituted an infringement of free competition by making a discrimination between enterprises carried on side by side. If State enterprises and private enterprises are compelled to compete on a basis of commercial equality, the enterprise with the more efficient organisation will be able to offer its services more cheaply on the market and will survive the competition to the great benefit of society.

Turning now to the positive measures for the extension of rationalisation recommended by the Conference, the following resolution of the Agricultural Section may first be quoted: "The improvement of agriculture must in the first place be the work of the agriculturists themselves. The general adoption of technical improvements, the scientific organisation of production and stockbreeding, of the campaign against the diseases and the enemies of plants and animals, of marketing, of the standardisation of agricultural products in the interest of both the producers and the consumers, of the search for outlets, and of credit and insurance will permit agriculturists to reduce their costs of production in their own interests and to the benefit of consumers." In development of these ideas a special recommendation was made regarding the establishment of direct commercial relations between producers and consumers and between associations of producers and consumers¹ with a view to the elimination of superfluous intermediaries and the fixing of prices advantageous to both parties.

The Industrial Section took up as its central problem the question of how costs of production and, therefore, prices

¹ Model relations of this kind which have been established in Canada, were described in the documentation of the Conference, C.E.I. 14: The part played by co-operative organisations in the international trade in wheat, dairy produce and some other agricultural products.

could be reduced. Impressed by the experience in the United States during recent years, it recognised the benefits of rationalisation and of scientific management and it asserted the urgent need for greater, more far-reaching and better co-ordinated effort in those fields. Regarding unfavourable consequences to certain categories of work which the introduction of more rational methods may cause temporarily, the resolutions recommended proceeding with "the care which is necessary in order, while at the same time continuing the process of rationalisation, not to injure the legitimate interests of the workers," and inviting "the co-operation of employees and the assistance of trade and industrial organisations and of scientific and technical experts."

Before the Conference met there had been in the minds of many people the idea that the formation of great international concerns might prove a possible way out of current economic difficulties; as those concerns would, it was said, not only regulate production to the benefit of society, but also permit the lowering of the protective duties on the commodities manufactured by them. It was found, however, that no such far-reaching effects could be expected from the movement of international cartellisation or trustification. The problem of international industrial agreements created some difficulty, which in reality arose from the fact that great industrial organisations sometimes led to rationalisation of production by reducing costs but, on the other hand, occasionally meant stereotyping present conditions, for instance, by checking technical progress. Ultimately the spokesmen of the conflicting views unanimously admitted that the phenomenon of industrial agreements did "not constitute a matter upon which any conclusion in principle need be reached, but was a development which has to be recognised and which, from that practical point of view, must be considered as good or bad according to the spirit which rules the constitution and the operation of the agreements, and in particular according to the measure in which those directing them are actuated by a sense of the general interest." The Conference attached great import-

ance to the personal element, the spirit which animated the leaders of the industry and the co-operation of employees, in the work of rationalisation. The same idea formed the basis of the plea for more information: "the provision of precise, complete and up-to-date information concerning production can only tend to develop in the leaders a sense of the social service which their functions involve," says the report.

The Conference was indeed most emphatic in insisting upon the need for more information—insistence which is the more significant in that there still lingers in the mind of many industrialists an idea that sound business consists in making money out of other people's ignorance, and that, therefore, individual firms are entitled to refuse information about their stocks, output, etc., under the plea of business secrecy. The Conference declared without hesitation that it was of the greatest importance to the industrialists themselves "that they should be kept fully and accurately informed both of the development of their own industries and of the broader changes which take place in general business activity." It also laid stress on the fact that the general public must be supplied with adequate information in order to form a collective opinion at once well informed and reasonable. This argument was given particular weight in regard to industrial agreements; for while it soon became evident that the establishment of an international judicial régime was for many reasons an impossible proposition, it was equally clear that some safeguard had to be provided against possible abuses of big international concerns. The only safeguard which was thought practicable consisted of the provision of adequate information regarding the nature and operation of industrial agreements, and in that connection the League was requested to follow with close attention the forms of international industrial co-operation and their effects upon technical progress, the development of production, conditions of labour, the situation in relation to supplies, and the movement of prices. The Conference believed that publicity would constitute one of the most

effective means, on the one hand, of securing the support of public opinion to agreements which conduced to the general interest, and, on the other hand, of preventing the growth of abuses. By virtue of this recommendation the League has been entrusted with a task of great economic and social importance.

We have seen that the Conference laid great emphasis on the social side of industrial relations, while at the same time recommending greater freedom in trade. In this it reached, one may say, a synthesis of the two main economic ideas of the last century expressed, on the one hand, by the Manchester school concentrating upon the advantages of free competition and, on the other hand, by the manifold movements aiming at improvement in social conditions and insisting upon the rights of society as a whole. This wide basis of the resolutions explains the fact that they have proved acceptable to the representatives of interests so divergent; the same fact constitutes the main reason for believing that the resolutions will be carried into practical application and thus, in the words of the report of the Conference, mark the beginning of a "new era."

When dealing with the problems entrusted to it the Conference did not look back at the past, aiming simply at a return to pre-war conditions, but boldly drew up new lines on which to move towards a more rational economic organisation on the basis of whole-hearted international collaboration.



PART II

CARRYING INTO EFFECT THE CONFERENCE'S WORK



CHAPTER IV

THE POSSIBILITIES AND PROBABILITIES OF ACTION ON LINES SUGGESTED BY THE CONFERENCE

W. T. LAYTON, M.A., C.H. (Editor of *The Economist*).

THE most important fact in connection with the reception given to the Report of the World Economic Conference is that within a month half-a-dozen nations categorically accepted the findings of the Conference, and expressed their willingness to put them into effect, if other nations would do the same while several more gave their adherence in September at the League Assembly. It may be said that Britain, Germany, Austria, Czechoslovakia, Holland, Belgium and the Scandinavian nations are countries whose interests lie in the direction of freer trade, and that the significant fact is not that these have conformed to, but that other nations have not definitely and openly associated themselves with, the policy laid down at Geneva. But before accepting this view, there are two points to be borne in mind. In the first place, the unanimity and thorough-going character of the Resolutions embodied in the Report were not merely a surprise and a revelation to those who took part in the Conference, but were a much greater surprise to many Governments which had not yet realised how widespread was the feeling against post-war Protectionism. It has, therefore, taken time for countries to get their bearings in what is essentially a new situation in the world of commercial politics, and it may be some while before we can judge what adhesion the Report will obtain from various

Governments, many of which will be governed by their public opinion or will wait to see which way the cat jumps.

But there is another consideration. It is a very significant fact that no country has ventured to disavow or publicly challenge the conclusions of the Geneva Conference. It is a very great gain when a body of doctrine which is directly opposed to the practice of many nations attains such a position that it is no longer openly opposed, though it may continue to be disregarded in practice, for the tacit admission that a policy is sound is a powerful support to all those forces which make for the putting of it into practice.

We may, I think, add to these two considerations some practical results. The fact that freer trade is now established as the world's orthodox opinion seems to have had at least some influence upon the career of the new French tariff proposed in the Spring of this year. The fact that the putting into effect of that tariff has been postponed, that a provisional agreement has been reached with Germany, and that time has been given for negotiation with other countries, and even for a reconsideration of the tariff itself is due to many influences. Of these the Geneva Report is admittedly one. The same problem in a different form arises in connection with the threatened increase of the Polish Tariff. The first test of the Geneva Report will unquestionably be whether it will succeed in actually preventing further tariff increases. A movement in the opposite direction cannot be expected until a later stage.

There is, however, a danger that, after these first-fruits have been gathered, interest will evaporate and the driving force necessary to secure the application of the Geneva Resolutions prove lacking. Moreover, the various writers who have commented on the practical application of the Resolutions have almost all insisted that little can be expected from the action of any particular nation, and that hopeful results will only be achieved through the initiative of the League of Nations. M. Dvoraček, it is true, thinks

that the practical application of the Geneva Resolutions will be by means of bi-lateral commercial treaties of the old type. But most of the other writers apparently look for more general action. They take the view that the Geneva Resolutions represent an essentially international standpoint, and that it is only at Geneva that this international point of view will find practical expression. It is, in another form, the argument that justified in the politic sphere the creation of the standing Secretariat of the League. Every Foreign Office, every diplomat is engaged in stating and defending a national point of view. The setting up of the League Secretariat for the first time brought into being a diplomatic service whose prime business was to think out formulæ of reconciliation. The argument, therefore, that the initiative must come from Geneva is well founded; but it involves two problems. The first is that of the constitution of the Economic Organisation of the League. None of the writers is prepared to defend the project of a new and elaborate Economic Bureau comparable to that of the International Labour Office; but all realise that the existing Economic organisation must be strengthened. Frankly, in those circles which take an interest in League affairs, the Economic Committee of the League has suffered in comparison with the Finance Committee in having no spectacular achievement to its credit like that of the reconstruction of Austria and of Hungary. But the World Economic Conference was, I think, impressed to find how much quiet work the Economic Committee had in fact achieved, and how many big problems it had begun to deal with, if not to solve. If its labours have not yet had their full fruition, it is rather because many States have not yet ratified the Conventions which have been drawn up by the Committee and approved by the members of the League. This, in its turn, is perhaps due to the fact that much of the work of the Economic Committee has hitherto been unknown except to a very limited circle. Its work has, in fact, suffered from insufficient publicity and advertisement.

But good though the work of the Economic Committee

has been, it is no discredit to its members to say that its personnel hardly carry heavy enough guns for the task which the Economic Conference has laid upon the League of Nations. This particularly applies to the task of endeavouring to organise a general reduction of tariffs. The present Committee consists almost entirely of officials from the Commerce Ministries of various Governments, and though the members have to a remarkable extent taken an international view of their duties, they are hardly in a position to take a strong initiative in a matter which is one of high policy. Some member or group of members in the Economic Committee must be prepared to initiate concrete proposals for tariff reductions, either in general or among a group of States. In other words, they must be prepared to make suggestions as to what other nations might do, not, of course, by way of dictation or giving in any way the impression that they are assuming the functions of an arbitral body; but in the manner in which a conciliator puts up proposals to the respective parties in an industrial dispute. Such a rôle requires not merely that the man who fills it should have an international outlook, but that he should have an international prestige and a reputation for impartiality. The name of the President of the Economic Conference will at once occur to everyone as that of a man who possesses these qualities in a marked degree, and it should not be impossible to furnish him with two or three colleagues of similar international standing.

The history of the Brussels Conference is of interest in this connection. Within a very short time after the closing of the Conference, the Council of the League appointed a Financial and an Economic Committee, selecting the personnel of the Finance Committee almost entirely from among those who had taken a leading part in its deliberations. The Conference laid down an international code in financial affairs, which the Finance Committee have developed and applied in a truly international manner. Those who have followed the work of the Finance Committee realise that there has grown up a very definite

League point of view and a League tradition in financial matters, in the subsequent seven years. What is required now is that something of the same kind should happen in regard to the findings of the Economic Conference. It can only be done if the strongest possible personnel of the Conference are mobilised and used continuously in the economic organisation of the League. Tariffs and other matters dealt with at the Geneva Conference are highly technical, and the Economic Committee must have among its members a number of people with this technical knowledge. But it is quite clearly only one of the qualifications which the Committee needs for its task. Indeed, Herr Hermes may be right in thinking that the qualifications required are so diverse that what is needed is a series of conferences grouped round and organised by the central Economic Committee.

The League Assembly proposes to solve the problem by setting up an advisory body to meet once a year with a personnel rightly corresponding to that of the Preparatory Committee of the Conference. On its various interests will be represented and it will keep Geneva in touch with those external influences which must supply the driving force if great developments are to be carried through. But the existing Economic Committee is to remain the chief permanent economic organ of the League. The influence of the new body on the old may be adequate and effective and the new type of member needed by the old Committee would be introduced into it if it could be arranged that the President and the officers of the new Committee are *ex-officio* members of the Permanent Economic Committee.

The other problem is the difficult question as to what progress can be made by means of a partial agreement among a limited number of States; for we should be agreed that a universal arrangement is not within the sphere of practical politics. Professor Ohlin suggests an agreement between England, Germany, the Scandinavian countries, Holland, Belgium and Switzerland; and other groups have, of course, been frequently discussed. There are also a great variety of forms which such an agreement might take.

Such schemes raise a number of very difficult, though not necessarily insoluble questions. But the important point to emphasise at the moment is that such schemes must not be ruled out because they are limited. The Finance Committee did not hesitate to take special cognisance of the problem of Austria, and in the political sphere it has proved possible to weave the Locarno policy into harmony with that of the League as a whole. At the same time, it is evident that a Commercial Agreement between a limited number of States must be very carefully drafted if it is not to prove an offence against outside parties. Mr. Runciman made at Geneva the fruitful suggestion that the Ministers of Commerce must ultimately meet together if the full results of the Conference are to be achieved, for it is the Ministers of Commerce who have ultimate responsibility in these matters. Following the Locarno precedent, matters might be hastened if certain Ministers of Commerce were to meet at no distant date. But this would very definitely be supplementary and not alternative to the work of the League. The existence of an effective economic organisation of the League of Nations is the necessary safeguard against limited Agreements being drawn in such a way as to be injurious to non-participating countries.

M. COLIJN (Former President of the Council of Ministers,
The Netherlands).

In his closing speech, the President of the Economic Conference made two remarks which reflect its character as well as its results. Mr. Theunis pointed out that the Conference had considered economic problems *in their international aspects and adopted an international point of view*; and he also stated that the Economic Conference had to be regarded *not as an isolated event but as a stage in the continuous work of international collaboration in the economic sphere*.

The first statement is decisive for the character of the decisions reached and at the same time the foundation for our hopes. The second keeps our expectations within sound limits.

The spirit of the Conference was the right one, the *only* one that could pave the road to success; the fact, on the other hand, that the work of the Conference is not more than a beginning will prevent us from building hopes of *immediate* practical results.

To get the desired result it will be necessary to bear in mind that first of all public opinion must realise the absolute necessity of following the recommendations given by the Conference. National economic considerations have to give way to an economic policy which recognises the close interdependence of nations in this sphere of action. But such a change of opinion is not to be expected over-night as the result of a single conference. The public must be informed and enlightened, as was expressed in the resolution proposed by Professor Cassel and adopted by the Conference. But we must not stop at that.

The Governments must not be allowed to remain sleepy till the public is awakened. If the final report of the Conference is distributed and nothing else is officially done, we might perhaps just as well have stayed at home. Governments must sometimes be shaken up a little just as well as

the public. The difference, however, between the two is that you cannot use the same remedies. The public must be informed. The Governments must be given a stimulus. And there is only one doctor who can do that.

Do not let us wait till Governments take the initiative in drawing up conventions—bilateral or multilateral—intended to carry out the recommendations of the Conference. We may then be kept waiting. Let the League further explore the road it has already struck.

A diplomatic Conference had been convened for October 1927 to consider a draft convention on the subject of import and export prohibitions, prepared by the Economic Committee of the League.

Why should not that Committee prepare other draft-conventions based on the different recommendations and resolutions of the Conference?

Why should not these draft-conventions be submitted to Governments for their consideration and approval?

Why should not diplomatic Conferences, similar to that of October 14th, be convened at intervals?

It is easy to do nothing when nothing definite is asked of you; but it is sometimes rather difficult to say No, when you are clearly invited to say Yes! And Governments ought to be placed in that position.

As I have said already the only physician who can afford to prescribe that medicine is the League of Nations. Nobody else can.

Let the League then take the initiative in the Governmental sphere of action. It will be quite in harmony with the characteristics of the whole Economic Conference. That Conference adopted an international point of view and saw its own work not as an isolated event but as a *stage* in the continuous work of *international* collaboration in the economic sphere.

I claim that the Conference itself, in the last resolution that was adopted (the resolution on the Economic Organisation of the League), expressed the wish that such action should be taken. Not very clearly perhaps, opinions differ-

ing as to the best method of execution of the principles laid down. But this much at least can be said, that the Conference wished and expected action to be taken by the League and hinted at a reorganisation of the Economic Committee.

The way in which such a reorganisation should be carried out we can well leave to be settled by the League itself. The only warning which may perhaps be uttered is that the new Committee in its *permanent* composition should not be too big. It should contain not more than twelve or fifteen permanent members. For special subjects it can enlarge itself by co-opting outside experts. I recommend then :

- (a) That the League of Nations should *retain* the initiative in this sphere of action ;
- (b) that a reorganised Economic Committee should be the instrument made use of by the League for this purpose ;
- (c) that this Economic Committee should be instructed to draft periodical conventions ;
- (d) that such draft-conventions should be submitted to the respective Governments and that diplomatic Conferences should subsequently be convened to consider them.
- (e) that the Secretariat of the League should publish from time to time the results thus obtained.

If this course is followed I am convinced that considerable results can be obtained, and that in five years time we shall look upon this Conference as the beginning of a new era, as the turning-point in the commercial policy of European nations.

DR. ANDREAS HERMES (Former Minister of the German Reich).

What has happened in the post-war period makes it clear that international trade difficulties lie at the root of the growing economic depression which has been experienced in almost every country. The extent of this depression has varied, but it is everywhere present.

It was the recognition of this fact that led to the convening of the World Economic Conference, which would probably never have taken place at all if economic difficulties had been confined to one or only to a few countries.

The international economic discussions of the Geneva Conference of 1927 were probably the best prepared of any held since the conclusion of the war. The guidance of the Conference was, moreover, in most distinguished hands. Delegates and free experts from all parts of the world gladly contributed their great stores of special knowledge to its successful issue.

The positive results it achieved undoubtedly constituted a very notable step forward. But they represent no more than the beginning of closer international co-operation; and if the advantages expected from such future co-operation are to be adequately realised, two important facts must be borne in mind.

The discussion of Economic Problems at the Geneva Conference was by no means exhaustive, despite their close connection with international trade, the fundamental questions of finance and population had no place on the agenda of the Conference. Moreover, there was no attempt made to arrive at the ultimate causes of the serious economic situation of to-day. This statement is not intended in any way as a criticism of the Conference's work. It simply means that the world as a whole has not yet advanced so far as to cast aside all national prepossessions in

dealing with the problems of international economic co-operation and all its postulates and requirements. For this reason the Geneva Conference, though it has done valuable work in helping to solve world economic difficulties, has not said the last word on the subject.

Then there is a second point. In view of the close ties that link together both the individual problems discussed at Geneva and the countries themselves in their relation to those problems, general and lasting progress cannot be expected from isolated action on the part of single countries but only from the close and constant collaboration of all the nations concerned.

These two facts—the incompleteness of the Geneva programme and the need for continuous co-operation between all countries—show how long and toilsome is the road that still lies ahead. Geneva is only the first mile-stone. Many more must be passed before the nations can arrive at a really fruitful international co-operation in the economic sphere. This is the truth that must be proclaimed and apprehended if certain mistaken ideas which are the greatest obstacle to further productive development are to be eradicated. The set-back which the world has suffered owing to the war is too great to be adjusted by a few international Conferences, however successful. The task that lies before the nations is not a purely material one, but is—and is primarily—a psychological task of the first order. Common economic interests alone will not bring the nations together, however strong a link they may furnish.

An inward transformation of every nation, transcending all mere material interests, is urgently necessary if a new era for all is to be inaugurated. Thus every effort in the economic field is merely a contribution towards closer international co-operation. Nevertheless, this limitation of the scope of economic work, which arises out of the general situation, in no way detracts from the very great value that work possesses. Its accomplishment is perhaps the most important pre-condition to be fulfilled before any satis-

factory advance in the development of international relations as a whole can be made.

In taking the next step in this special task—the gradual application of the Geneva resolutions—the individual countries must first co-operate in accordance with their respective special circumstances.

The Commerce Committee in its resolutions rightly emphasises the fact that the reduction of tariffs will be hastened by collective inter-State action. To ensure this co-operation seems to me the great task of the League of Nations. It will depend primarily on the League whether the Geneva programme is to be given a real chance or whether it is to become a dead letter.

What I fear is that stagnation will set in, that eventually the work begun will be abandoned, if the practical application of the Conference's resolutions is left to each State individually. And by that I do not mean that every State should not at once prepare to carry the Geneva resolutions into effect, with adaptations suited to its special circumstances. That is needed in any case. But this preparatory work by individual Governments, even if it does lead to action on the part of individual States, cannot effect a real improvement in the situation unless it is carried out systematically on international lines. And no other institution in the world is so admirably adapted for that purpose as the progenitor of the Geneva Conference, the League of Nations itself.

Fortunately the League seems ready to step into the breach. At the September session of its Assembly it is to go fully into the matter of implementing the resolutions of the Economic Conference, and it has already summoned its Economic Committee to discuss the question.

There is one fundamental need, however, which the League must satisfy, if its future work in this field is to be profitable. It will only be able to do useful work if it provides itself with certain indispensable preliminary requirements as regards organisations. The Geneva resolutions are the outcome of a discussion, conducted on a common basis and in

a spirit of complete harmony, of all the relevant branches of economics—commerce, industry and agriculture. The further development of the tasks outlined at Geneva will likewise have to take place on the common basis of these branches of economics. That means in the first place an expansion of the League organs which have hitherto dealt with economic questions, and more especially of the Economic Committee, which will have to include representatives of all branches of economics if it is to ensure close collaboration from the outset. A suitable expansion of the internal services of the Secretariat would similarly seem desirable. These two measures would, I think, be enough at the start to ensure the successful continuation of the work of the Economic Conference and further expansion would take place spontaneously.

The proposal made by the Labour representatives at the Conference—to establish within the League a great international Economic Bureau—did not meet with acceptance. Nevertheless the idea underlying this proposal, the desire to increase the League's economic activity, seems to me worthy of all support. Not that I would advocate the creation of a central economic control bureau, armed with special powers; what I have in mind is a centre of information, permanently watching world economics as a whole. The documents collected and arranged by the League for the purposes of the Economic Conference are of immense value, and are certainly indispensable to every economist on account of their wealth of facts. To systematise the collecting of material is a matter of special importance; for thereby the real bases for the execution of the Geneva programme will be kept permanently in view.

The Economic Committee of the League at its special session of July 12-14 last, provisionally discussed certain urgent resolutions of the Economic Conference dealing with such questions as tariffs and commercial treaties, the unification of customs nomenclature and the treatment of nationals and enterprises of one country domiciled in the territory of another. For the solution of these questions

the Economic Committee made certain practical proposals, which will ensure that the work in these fields will be suitably followed up.

As a result of the first steps taken to carry out the Geneva resolutions the various practical problems will be explored in every detail. That is only natural and in itself all to the good. But this indefatigable study of matters of detail must not be allowed to cause the great general lead given by the Geneva Conference to peter out in the study of technical details, however important these may be in themselves. The Geneva Conference marks, and must mark, more than a mere technical development of matters fiscal. If the labour done there is not to be lost, it must be made of real use to mankind by entailing a sweeping reform and reconstruction of international economic relationships. Naturally the Conference was synthetic rather than analytic in its methods. The potentialities of the Geneva resolutions lie in synthesis and nothing short of the complete synthesis of the world economic situation from its ultimate causes and the practical application of the lessons learned therefrom can bring about the better future which was so eloquently and strikingly depicted at the Conference. Technical details regarding taxation and other matters may—nay must—be the means to this end; but they must not be made the end itself, otherwise the Conference, though it would have scored a partial success, would certainly have failed in its real object.

And here is where the special mission of the League comes in. It consists of seeing that all the individual pieces of work done within the large field that has been marked out are permanently linked together and that the ultimate goal of the Economic Conference is never lost sight of. As regards the very necessary individual activities of expert committees, which will of course have to be set up in fairly large numbers, the enlarged Economic Committee of the League, as the co-ordinating parent-committee, will have to weave all the threads together into a single fabric and, in conjunction with the League, prepare if necessary for a wider discussion by an

ad hoc body, large, though perhaps not so large, as the Economic Conference itself.

As the preparatory work proceeds, the individual nations may be expected to display an ever-growing readiness to examine thoroughly and dispassionately the true ultimate causes of the world economic depression and to take more real notice than hitherto of the first structural changes that have taken place as a result of the war.

By prudent and far-sighted treatment of world economic problems on the lines indicated above, the League will, I am sure, greatly enlarge its field of action. The work it has done to this end will help to consolidate its general position and thereby enable it to perform further great services for mankind as a whole. It will, however, be the duty—and a very noble one—of all the member nations, great and small, to lend their wholehearted support to the League in the fulfilment of this task, a task undertaken in the interests of humanity. My own country, I am sure, will not fail to answer the call.

THE RT. HON. WALTER RUNCIMAN, M.P. (Former President of the Board of Trade).

THE Agricultural Commission of the Plenary Session of the Economic Conference gave expression time after time to the interdependence of industries. In the words of the report "it would be vain to hope that one could enjoy lasting prosperity independently of the others." Agriculture, in the view of the members of the Conference, can only hope for an improved demand for its produce by an extension of industry and commerce. They even ask for the removal of all hindrances to the free circulation of and trade in agricultural products, and for the reduction of customs protection both for industry and agriculture. If their hopes and requests are crowned, great good will be done. If their requests are ignored, agriculture will continue to suffer in every country in the world.

On international combines and cartels it was inevitable that there should be fundamental differences of opinion. In some quarters it had been thought that international arrangements within the trades themselves, and cartels where quotas for the various markets were the result of mutual arrangement, would solve many of the troubles arising from competition. It was even hoped that if cartels could be usefully adopted we need not bother our heads about tariffs and other trade barriers. It soon became apparent that on this point there was no uniformity of view; indeed, on every other subject that came before the Conference there was more complete agreement than on this.

The findings of the Conference on Commerce, however, were not only unanimous but were prompted by agreement more remarkable than has ever been known at a Conference dealing with such difficult and, indeed, thorny problems. The present scale of tariffs was condemned. The erection of tariff barriers, the Conference declared, had gone too far.

They asked for lower tariff walls and greater facilities for international trade. They declined to express any opinion whatever on the fundamental principles of free trade or protection. High barriers they deplored, and they begged all Governments everywhere to enter into commercial treaties with each other and warned them against setting up *tarifs de combat* in advance of negotiations. They begged for greater stability in tariff policies, and for longer periods over which they could count on tariffs not being raised.

What will the Governments make of these drastic proposals? Some Governments and some ministers will be tempted to pigeon-hole them. They will be polite and tell the League of Nations that these findings are of the greatest historical interest, and will be carefully preserved in their libraries. I wonder how many will act and how many will frame their international policy in accordance with these world-wide aspirations!

As a man of somewhat wide experience of business in many aspects, and of affairs, for I was a British Minister of the Crown for eleven years and sat for nine years continuously in the Cabinet, I have no hesitation in saying that the transport and commerce recommendations of the Geneva Conference can be carried out by any Government which has the good-will to look on these proposals as a practical contribution to the solution of world problems. Every recommendation could be made to operate in the year 1928. Their full fruition would not come for a year or two; but by adopting them we should at least have made substantial progress in the restoration of the world to its pre-war prosperity, and in the development of the newer countries, which depend to a large extent on the purchasing power of the old.

SIR CAMPBELL W. RHODES, C.B.E. (Member of the Council of India and President of the Associated Chamber of Commerce of India and Ceylon).

As one playing a less material part in the Economic Conference than those of my colleagues who have contributed to this book, and representing, as I did, a country which, though vitally interested in its findings, has been fortunately only affected slightly by the economic chaos in Europe, I had the opportunity of appreciating, at its full value, the work done by the representatives of the European States and of America. The possibility of good resulting from our deliberations rests primarily on the intrinsic value of our work. The readiest criticism of our report is that, in the words of *Punch*, it provides a glimpse into the obvious, and this criticism may find some apparent justification in the fact that representative men from fifty nations arrived at unanimous conclusions. It is just this glimpse, however, that perhaps constitutes the real value of our labours. Anyone reading the section on the present tariff situation must be struck by the obvious truth of what is there stated; and the interesting question then arises, how is it that truths, so obvious, should have escaped the notice of so many nations of the world?

The events of 1914 to 1918 closed a chapter in the economic history of Europe, and out of the cataclysmic occurrences of that period, a new chapter was commenced on uneconomic and even vicious lines. Deprived by new tariff barriers both of their customary sources of supply, and of the markets for their products, many countries fell a victim to the new and false doctrine that salvation lay in each nation being self-contained: in other words, that security was to be found behind high tariff walls, rather than in pursuing the pleasant paths of economic brotherhood and peace. The effect was, and still is, to deprive all nations of the great

benefits resulting from international trade. The very essence of a sound contract between two parties, whether nations or individuals, is that each shall supply the other with something more valuable to the receiver than to the giver, and that the prosperity of both shall thereby be increased. This is a fundamental law of all human relationships and we give even our friendship in the hope of receiving back something more valuable to us than the splendid isolation of our own personality.

Under the exhausting strain of the reconstruction of Europe, *saute qui peut* became the watchword of the nations and, at the time, no other policy seemed possible. But, if I may be forgiven a personal reminiscence, I should like to quote the instructions written on half a sheet of notepaper, which I received in India from my senior partner in London during the dark days of August 1914: "Do your best to preserve our interests, but, in doing so, see that none of your neighbours suffer." Therein lies the truth which the Economic Conference has attempted to bring to the attention of the world and in the application of that truth is embedded the world's economic salvation. By no means does it imply that tariff barriers must be entirely swept away. Had all nations started the race on absolutely equal terms, a policy of *laissez faire* might have been justifiable; but it is in the true interests of the world that each State should develop to the full its own natural resources. Such development can only be rendered possible so long as the immature states can obtain support and protection in their industrial infancy. Such an immature state is India, by whose Government I was nominated to the Economic Conference. Pressing as is the need for the more intensive and efficient development of her wonderful agricultural resources, India has also great industrial possibilities and the development of these will add materially, not only to the wealth of the world, but also to the purchasing power of that vast sub-continent. Be this as it may, in our report we have endeavoured to show how detrimental it is, both to any country itself and to the world at large, that industries should be

developed along uneconomic lines or on uncongenial soil, in the altogether vain hope of rendering that country self-contained. Probably the first statement of this great economic truth was contained in those well-known words, "Give and it shall be given unto you, good measure, pressed down and running over," and if this doctrine of mutual interdependence be grasped by the Governments of the world, the Economic Conference will not have been held in vain.

It is not always realised how closely interlocked are protective and revenue duties, and how damaging, therefore, to sound industrial development have been the almost inevitable steps taken by countries to balance their budgets. Many countries have found that high import duties, imposed with no other object than to secure extra revenue to the State, postulate some system of protection. This was India's experience in 1922, when the Indian Fiscal Commission reported that "the necessity for raising a large revenue from customs duties and the obvious inexpediency of ignoring the effect of those duties on the industries of the country must inevitably lead India to the adoption of a policy of protection, as they led Germany in 1879." India was, however, fortunate enough to recognise from the outset the danger with which she was faced, and through the instrumentality of a strong and independent Tariff Board has steadily set her face against the growth of unsuitable industries fostered by the adventitious circumstance of enhanced revenue duties. From what has been said, it naturally follows that war debts, heavy expenditure on armaments, the monetary and economic loss inherent in unemployment, whether caused by diminution of international trading or by new difficulties placed in the way of the migration of surplus populations, all block the road to the fulfilment of the objects set forth by the Economic Conference. Both the possibility and the probability of action on lines suggested by the Conference depend therefore on the re-examination of national budgets with a view to the

elimination of all superfluous and wasteful expenditure, whether on armaments or on hothouse cultivation of exotic industries.

The disease from which the world is suffering produces many symptoms, and whilst palliatives may be necessary to relieve the more distressing of such symptoms, palliatives are not cures, and health can only be restored by probing to the root of the disease. The Economic Conference has made an honest and frank attempt at diagnosis, convinced that the symptoms will disappear, when the facts are realised and the proper remedies applied. One of the most distressing of these symptoms is the lack of confidence, which has resulted from the present disorganisations and from the constant changes of medicine prescribed merely to alleviate present pains. Unstable currencies, wildly fluctuating prices and panic legislation have all contributed to this loss of confidence. Capital is available, but capital is shy. Stocks of commodities used to form a spring buffer between producer and consumer; but even where such stocks now exist, doubts as to their realisable value and the resulting feeling of insecurity have rendered them only an aggravation of the present uncertainties.

The widest possible publicity for these truths is essential, if the object of the Conference is to be achieved. The Conference had no executive powers, nor indeed has the League of Nations, to which it reported. It could only recommend. Governments themselves cannot legislate very far ahead of public opinion. On the other hand, if the delegates were typical of the merchants, industrialists, agriculturists and workers of the countries, which sent them to Geneva, it would appear that the Governments are lagging behind the considered views of their own subjects.

Unfortunately suicidal self-interest, so-called, is regarded as less venal in the State than in the individual and is even exalted as a virtue. It is so easy to take the short view and to imagine that any action injurious to our neighbours must perforce be beneficial to ourselves. It will be difficult to persuade the world, that in the fair treatment of others lies

our own individual prosperity : yet this is the salient fact, which the Conference has endeavoured to drive home.

It is inevitable that the findings of the Conference will form the basis of discussion in the League and amongst its component parts ; but an instructed public opinion is an essential condition of practical progress, the only guarantee that any good will result. The situation cannot be forced. Time will be required for statesmen to examine the report, and thereafter to alter the trend of their policy so as to bring it on to the lines indicated. Unlike commerce and industry, state craft moves slowly. But delay is dangerous and every passing year makes it more difficult for the nations to escape from the present impasse. If the recommendations of the Economic Conference result only in arresting the present tendency towards ever-rising tariff barriers, some good will have been accomplished, and this little may perhaps be anticipated. But it is not enough. A complete reversal of policy is the direction in which the Conference has pointed, as the only way of economic salvation for a distracted world.

The rationalisation of industry, to which our report has devoted considerable attention, is less advanced in the Eastern hemisphere than in the Western. America has pointed the way and it is for Europe, which is more culturally individualistic than her trans-atlantic neighbour, to develop a far higher degree of rationalisation than at present exists without destroying that varied life and culture of which she is so rightly proud.

The deliberations at Geneva have not merely resulted in the unanimous adoption of a series of resolutions. They have a deeper significance. The World Economic Conference marks a further stage in the evolution of the League of Nations, a definite step forward from the political into the economic zone. Economic dissensions have been the cause of more than one disastrous war ; economic agreement may well be the precursor of international peace. The gods of the nineteenth century were on the side of the big battalions—the God of the twentieth century will be on the side of the

big ideas. Nothing but the annihilation of civilisation can arrest permanently the development of the League of Nations, nothing else can prevent the gradual development of its activities along the lines of economic unity.

ROLAND W. BOYDEN (Former Unofficial Observer of the U.S. Government on the Reparation Commission).

The hope that the Geneva Economic Conference would make an important stage of progress towards better international trade policies, has been fully justified by the result. Just as the resolutions of the Brussels Financial Conference of 1920 gave firm support to all efforts towards sound currencies, so the Geneva economic resolutions will give firm support to all efforts towards saner economic policies. They will exert constant pressure upon public opinion and upon statesmen.

As a member of the International Chamber of Commerce I have just reason for satisfaction in the influence exerted at Geneva by the report of our Trade Barriers Committee. Its authority as the expression of the opinion of the world of business, was fully recognised. No document presented to the Conference was more frequently referred to or of greater practical usefulness.

The results of the Geneva Conference added to the interest and utility of the Congress at Stockholm. The International Chamber had there a unique opportunity to emphasise and supplement the Geneva resolutions. The truth must be hammered home until it is finally embodied in legislative and administrative practice.

The so-called practical man is apt to think that resolutions are mere words. He is sceptical unless they are immediately translated into acts. But where the acts must be performed by Governments, the practical fact is that mere words, such as these Geneva resolutions, constitute a practical act. They are an essential preliminary to the creation of that general public opinion which must precede more enlightened and effective policies with respect to international trade.

The Geneva resolutions express the composite common-

sense of able men gathered from the whole world. They formulate what was before indefinite and unformulated in our minds. They are for the most part concrete and business like, and they are even courageous. They cannot create an immediate economic renaissance but they point the way of progress; and statesmen, enlightened and otherwise, will gradually learn to walk therein.

The process by which these unanimous resolutions were reached was interesting in itself, but becomes still more interesting when one realises that it illustrates the necessity for such a Conference. No one nation, no one of the delegations, acting by itself, could have formulated these recommendations. Each one, acting by itself, would have emphasised the folly—perhaps even the malignity of the trade policies of other nations, and would have explained carefully the wisdom and necessity of its own policies. Each would have done its best to convince its own public that its policies were 100 per cent pure and good, and that the other nations were causing all the trouble.

It was in this somewhat narrow spirit that the Conference assembled. It was in this spirit that many of the opening speeches were made. But as contacts widened and discussion became more intimate, confidence grew and suspicion lessened. One could see and feel that an evolutionary process was taking place. The Separatist Pharisaical Spirit gradually yielded ground and was succeeded by a real consensus of international judgment. This international judgment is what the resolutions represent—a judgment which might almost be termed a mutual confession by publicans and sinners. No one delegation could have framed this international judgment. Altogether, at Geneva, when the time was ripe, they seemed by some miracle to escape from the Babel of tongues to the higher plane of united thought and common speech.

JULIUS KLEIN (Director, Bureau of Foreign and Domestic Commerce, U.S. Department of Commerce).

Much has been written and said of the accomplishments of the Conference ; but one of its outstanding achievements has not attracted any considerable attention as yet, doubtless because it was of a purely negative character. After exhaustive discussion and most careful deliberation the Conference refrained from setting up any regulatory or supervisory body to police the behaviour of the various nations in any of the numerous fields of economic activity which were under consideration. There were some forceful and able proposals to instal super-bureaucratic agencies which were intended to go beyond the passive supervision of interchanging of information, and to enter the far more perilous field of active supervision and control of fundamental policies in certain important fields lying distinctly within the responsibility and prerogatives of the various Governments.

For example, with reference to international industrial agreements the Conference recognised the impossibility of an "international juridical régime" on the subject, pointing out that the laws and tribunals of each individual country can take action with regard to international agreements so far as they involve operations in its own territory. The definite opinion of the great majority of the delegates on this matter seems to indicate quite clearly that the post-war mania for various magic legislative panaceas to bring about a sudden economic Renaissance is distinctly on the wane. In fact one of the most hopeful indications arising from the Conference was this evidence of the weakening of the inevitable psychological consequence of excessive wartime powers of Governmental agencies. The conviction was fairly evident that no written mandates or formulae emanating from some centralised agency set up to regulate

industry, commerce or agriculture, could serve as an Arabian Night's magic carpet to whisk the world instantly to blissful prosperity. In spite of the steadily increasing tempo of present-day life, with the incredible wizardry of science which has accustomed the world to unheard of speed in transportation and communication—transatlantic flights and telephone service, the transmission of photographs through the air, etc.—there was a very reassuring atmosphere of sobriety in the Conference. Its resolutions clearly recognised that the path to economic well-being, which now lies before the world, is steep and stony, and that there are no easy short cuts. Self-regulation in international business, with a will toward mutual helpfulness and collaboration, seemed to be clearly the objective of the Conference.

Perhaps the most practically important, although the least discussed of the resolutions in the field of industry, were those relating to statistics. The proposals for effective and co-ordinative effort in that field with a view toward establishing international comparability is deserving of the closest consideration on the part of all interested officials and others. This would seem to be one of the first means of early constructive achievement in putting into effect the determinations of the Conference, because in several countries the necessary steps can be taken without considerable delay. It is particularly to be hoped that in the coming International Statistical Conference at Cairo, some definite progress in this direction can be reported, with a view toward developing further plans to put the recommendations of the Geneva Meeting into effect. In this connection the recommendation of the Conference for the extension and improvement of agricultural statistics is also worthy of careful attention. Agencies are already available to encourage the further study of scientific systems of farm accounting, and it is to be hoped that the proposal of the Conference regarding an international committee of experts on this particular subject can be realised at an early date.

Much was said with reference to rationalisation, including mention of various American processes for the elimination

of wasteful methods, the scientific improvement of processes and technique, etc. However, it was clearly indicated, both by European and American delegates, that there are fundamental differences in conditions which make impossible the complete application elsewhere of certain American methods, particularly with regard to the immense domestic market of the United States in contrast with European markets divided up by national boundaries and consequent trade barriers.

The deliberations of the Conference indicated the urgent necessity for extending any investigations of rationalisation to include not only the picturesque problem of mass production but also the equally important though more elusive one of mass consumption—the stimulation of increased buying power and better living standards. The Conference proceeded to put on record a warning against possible unfortunate effects of rationalisation upon the working classes, whose interests should be protected by the adoption of suitable measures to prevent loss of employment or more arduous work. It would seem, however, that those who are charged with the responsibility of putting these recommendations into effect should go further in their efforts to attain those reciprocal advantages which must be secured for the employee as much as for the employer in any such improvements of production methods. One of the first features of any rationalisation programme should take the form of improvement in wages and working conditions. In this connection the development of the policy of employee stock ownership would seem to be a feature well worthy of careful consideration, both as a means of improving the welfare of the employees and of contributing materially toward industrial peace and stability.

Perhaps one of the most hopeful, though less spectacular recommendations of the Conference in the much discussed field of customs tariffs was that urging uniformity of nomenclature, and simplification of classification. It is to be hoped that the application of these findings will be carried forward with the utmost vigour with a view toward simplifying the

procedure, cutting the costs and expediting the progress of international business. Much can be done in this field by prompt and independent action on the part of several Governments, and any such steps as are taken should be given the widest publicity by way of stimulating similar efforts elsewhere.

It might be well, in conclusion, to reiterate one proposal to which the American delegation called attention, namely that referring to the importance of stimulating in every possible manner the development of the economically newer or less-developed areas of the world. After every great international war in modern times, one of the most vital factors in the restoration of economic well-being has been the exploitation of newly opened lands. To take a typical recent instance, the opposing of trans-continental railway service in the United States in 1868, and the subsequent widespread application of the so-called homestead laws in the new lands of the West were among the most significant and effective elements in the recovery of the country from the devastation of the Civil War of 1861-65. Similarly, the great colonial expansion of various European powers during the eighteenth and nineteenth centuries was a potent element in the rehabilitation of the war-torn states of the old world after the costly conflicts of that period.

Economic factors have frequently been described as the basic causes of many wars, but there can be no doubt that the necessities of these same factors likewise makes important contributions toward international good-will and better understanding. Repeated references were made during the Conference to the commercial or economic unity within the United States, and the absence of many trade barriers similar to those which now harass business on the European Continent. It may not be amiss, however, to recall the fact that there was a time in American history when this fortunate circumstance did not exist, namely, during the years of the Confederation from 1783 to 1789, which have been described by John Fiske, the great authority on this "critical period" in these vivid terms :

"These unspeakably stupid and contemptible local antipathies are inherited by civilised men from that far-off time when the clan system prevailed over the earth, and the hand of every clan was raised against its neighbours. They are pale and evanescent survivors from the universal primitive warfare, and the sooner they die out from human society the better for everyone. . . . But the only thing which can finally destroy them is the widespread and unrestricted intercourse of different groups of people in peaceful social and commercial relations. The rapidity with which this process is now going on is the most encouraging of all the symptoms of our modern civilisation." The first steps to overcome this deplorable situation in the United States were taken in 1785 by a group of delegates representing five States who met at Alexandria, Virginia, for the purpose of removing trade barriers, which were recognised as the chief cause of the difficulty. The ultimate outcome of their deliberations, as continued at Philadelphia, was the present Constitution of the United States.

There would seem to be a somewhat comparable situation before the world at this time, at least in so far as the necessity for an improvement of international economic relationship is concerned, and when that improvement is wrought—and the way is clearly indicated in the resolutions of the Geneva Conference—we may certainly anticipate a notable contribution to the cause of international good-will and well-being.

GUSTAVE L. GÉRARD (Directeur Général adjoint du Comité Central Industriel de Belgique).

The most striking feature that emerged from the work of the International Economic Conference is that the Conference should not be regarded as a final step, but a *beginning*, and this beginning should certainly not be anything but that of *the new era* outlined in the Report of the Commerce Commission, during the progress of which it should be possible to see "international commerce successively overcoming all obstacles in its path that unduly hamper it and resuming that upward movement which is at once a sign of the world's economic health and the necessary condition for the development of civilisation."

The work of the Conference on the commercial side developed in two ways: on the one hand, certain principles were laid down; on the other, a scheme of investigation and study on a large scale was devised which the League of Nations is invited to carry out. Moreover, these two conclusions were linked up very closely: ideas animated the programme and the programme upheld these ideas by supplying them with the strong support of a translation of the facts.

The distinction which I aim at making rests, however, on the establishment of two parallel lines of action, one of which will essentially bear the character of propaganda, while the other will strive to attain definite realisation at once.

In each country industrial groups and chambers of commerce, bodies recognised by the business world, will exert themselves by means of publications and Conferences to arouse the attention of public opinion and to bring home to it the fact that the interests of the mass of producers and consumers should prompt them to adhere to the new policy. The Press, always on the alert, will not fail to follow the movement closely, affording vigorous support by spreading

information and discussions. Governments should then—if they have not already done so spontaneously—take up a definite attitude and say if they agree or not ; for, we must not forget, the resolutions of the Conference were carried unanimously by the vote of the representatives of each country at Geneva.

In Belgium this initial stage has already been accomplished. On June 4th M. Vandervelde delivered in the House of Representatives, a speech devoted to the Conference, and ended with the following words : “ The Belgian Government wishes to declare that from to-day it gives its full support to the recommendations of the Conference. At the same time the Government asserts that it is disposed from this moment to act in concert with other Governments on the basis laid down by the Conference.”

In certain countries where traditions of commercial policy are further removed from this basis than is the case in Belgium, the compliance of officials will perhaps be more difficult to obtain. It is at this point that the second form of propaganda will be resorted to—international propaganda. Now, what organisation could better be entrusted with this work than the International Chamber of Commerce with its twenty four National Committees ? At the recent Congress at Stockholm the International Chamber of Commerce clearly showed that it was quite ready to lend the moral support of its authority and its unequalled position as an effective instrument to carry on the work begun at Geneva.

And this leads to a consideration of the second mode of action : the accomplishment of a series of investigations suggested by the Conference to the League of Nations, which should finally end in a chain of bi-lateral, multi-lateral or international agreements. This is without doubt a task of long duration, but a task of the utmost importance, one which deserves the united support of all economists and of all Governments.

If such be the case, the Economic Organisation of the League of Nations will be given the task of realising this

programme. The shape that this organisation will take will exercise a dominating influence on the extent of these investigations and on the thoroughness and dispatch with which they are conducted. It is important, therefore, that such an organisation should be based on well-thought-out principles.

I must refrain from discussing here the type of organisation I desire to see established, the organisation which will finally be adopted to devote itself solely to the best achievement of technical work, as conceived and defined by the Conference. I will only declare that it must exclude all considerations of a political nature which would trouble the serene atmosphere of mutual confidence which is indispensable for the achievement of all work of general interest.

ALBERTO PIRELLI (President of the International Chamber of Commerce).

The Economic Conference, in addition to its practical and positive results, has created possibilities and hopes. Doubtless it may be alleged that the Conference refrained from addressing itself to certain essential problems of world economic restoration; doubtless issues vital to the future hovered over the Conference without it being possible to consider them; and it must be admitted that political contingencies restricted the field of inquiry of a meeting such as that at Geneva. So miracles were not to be expected. All those who are familiar with the genesis of economic progress and evolution in the nineteenth century are well aware that miracles of that kind do not happen; that every striking event recognised as such has been slowly prepared for years by other events of seeming less importance, the immediate meaning of which none perceived.

During the past seven years, an atmosphere has been created which has made possible the slow and almost imperceptible growth of such reactions and phenomena as manifested themselves at Geneva. The International Chamber of Commerce is justly entitled to the credit of an important share in the creation of this atmosphere.

It is only right to acknowledge that within the limits it set itself, the Economic Conference has been a success. It went as far as it was possible to go in such a meeting. It either had to arrive at general resolutions susceptible of creating a movement of public opinion, or it had to go into highly technical problems. It may be said to have done both by laying down very general principles in its Commercial Commission and in taking up very technical matters in its Industrial Commission.

As its President pointed out in his closing speech, this Conference was only a beginning. Doubtless it was able

to submit precise results to the Governments, if only on a few of the points it was asked to consider. But those who would judge of its influence and importance by this one detail would be strangely mistaken. It did more and better than agree on certain formulae, the outward and visible expression of which is the report circulated abroad: it brought the full endorsement of the fifty countries represented in Geneva to that movement of public opinion which has made itself felt in all civilised countries since 1920 when, within a few months of each other, were held the Financial Conference of Brussels and the Organisation Congress of the International Chamber of Commerce.

The International Chamber of Commerce deserves great credit for having by its work contributed to the creation and direction of this movement of public opinion. Its work has always been done with a breadth of vision, a will to co-operate loyally, a spirit of peace and progress which honour the members of the International Chamber and may also be found—for the greater good of a storm-tossed world—in the resolutions passed by the Economic Conference.

I also wish to emphasise the very marked increase in the prestige and moral authority of the International Chamber, which, of course, adds greatly to our responsibilities. A psychological victory is not a victory at all unless it can be maintained. Our faith in our organisation has been strengthened, but our work must be extended and intensified. Our members and their National Committees must redouble their activities, for if a few of the ideals to which the International Chamber is attached have triumphed, the most difficult task still remains to be done. Their application must be brought about.

COUNT C. DE MOLTKE (Former Minister of Foreign Affairs, Denmark).

The question—what should be the next stage, and how should the decisions arrived at by the Economic Conference be developed?—was on the mind of many members before the Conference broke up. This was the natural consequence of their surprise on the one hand at the achievements of the Conference, and their eagerness on the other to bring safely into port these achievements and to prevent them from becoming dead files.

When I say that members were surprised at the results of the Conference I allude to the scepticism with which many, perhaps the majority, had approached it—little expecting that such definite and vigorously worded and unanimously adopted resolutions would be the outcome.

As the resolution of the Committee on Commerce was the all-important result of the Conference and was the only one which I had an opportunity to follow more closely myself in its drafting, I shall confine my remarks to this interesting document and, although it may be known to most readers, it may be useful to summarise the aims, principles and decisions arrived at thereby. I will do this, if I may say so, in a telegraphic style, in order to be as concise as possible.

Here then are the salient features of the resolution on Commerce :

1. A desire is unanimously expressed that this Conference shall mark the beginning of a new era overcoming successively all obstacles to international Commerce and allowing it to resume its upward movement.
2. Any strictly nationalist policy is proclaimed as harmful, not only to the nation which practises it, but also to others, and therefore as defeating its own end.

3. In regard to post-war practices of import and export prohibition, etc., and to the deplorable results of such measures, it is deemed important that Governments should forthwith abandon an economic policy injurious both to their own and to the interests of other nations. (One of the problems to be dealt with by the Diplomatic Conference convened for October, 1927 at Geneva).
4. A desire is unanimously expressed that Custom tariffs should be simplified and that a common systematic Customs Nomenclature should be established thereby avoiding unwarranted sub-divisions. States which have adopted the common Nomenclature should undertake not to impair its value by applying arbitrary or discriminating specifications to the detriment of third states.
5. Instability of Customs Tariffs is proclaimed as one of the most formidable obstacles to the establishment of permanent and secure international trade relations. Governments should, therefore, refrain from frequent and sudden changes in their Customs duties and conclude their commercial treaties for as long a period as possible.
6. The increase of Customs tariffs should be stopped and the movement reversed in the opposite direction along various lines which will be specified later.
7. Nations should, therefore, take steps forthwith to remove or to diminish such tariff barriers, which gravely hamper trade, starting with those which have been imposed to counteract the effects of disturbances arising out of the war.
8. The practice of putting into force, in advance of treaty negotiations, excessive duties established for the purpose of bargaining, whether by means of *tarifs de combat* or by means of general tariffs is condemned.

9. The standardisation of methods of treaty making and the establishment for all countries of clearly defined and uniform principles as to the interpretation and scope of the most-favoured-nation clause in regard to Customs duties and other charges shall form the objects of an inquiry to be entrusted to the Economic Organisation of the League of Nations.

These principles have been voted unanimously by the Conference; and yet they bear evidence of existing and future struggle—the struggle between nationalism and solidarity, “the nationalism which manifests itself through the economic relation of the present and the solidarity that breaks its way along the ideas of the League of Nations, the International Chamber of Commerce and the manifestos of Business men of October, 1926.” (Quoted from *A Plea for the Removal of Restrictions upon European Trade.*)

Representatives of nationalism were present at the Conference as representatives of solidarity in the sense just described. The possibility of a clash between the two elements was naturally the object of grave concern to all. The President of the Conference—the ablest, the wisest, the most courteous and honest President a Conference has ever had—expressed this feeling of grave concern in his concluding speech when he said:

“In spite of the efforts to be impartial and to be conciliatory which we are accustomed to expect from representatives meeting at Geneva, there was reason to fear that the diversity of origin and of qualifications might cause friction and opposition—possibly of a violent and unpleasant character. But the danger of confusion and of controversies, which many pessimists considered practically certain, has, thanks to generous efforts of rapprochement, not only been avoided but actually eliminated.”

These words are no doubt meant at least as a partial tribute to the wise and chivalrous attitude and conciliatory

spirit shown not only by such members, as may be considered representatives of nationalism, but also by those who would perhaps have preferred a slower rate of progress than that which is outlined in the report of the Conference and a more academic and doctrinary programme for the future, leaving a larger margin for adjusting conditions to what a Swiss paper has called the Magna Charta of future World Economics. Taken as such no tribute could have been better expressed or more justly deserved.

I return now to the initial question—what should be the next stage? The next stage is actually that which the delegates will be able to reach in their own countries through private, governmental and parliamentary channels. I consider it is of the utmost importance that members of the Delegation should remain for this purpose in close touch with each other to decide how to set to work along the said three channels; that they communicate to each other any information they may receive from abroad, and that they continually discuss amongst themselves the next step to be taken. In other words such delegations should not consider themselves as dissolved from the moment they return to their respective countries, but they should, on the contrary, consider themselves as still in function, getting ready for the continuation of their work of making the results of the Conference pass from the unofficial sphere in which they were bred to the official one, and of arousing the interest of the public the better to ensure this. In this respect we have, of course, a very easy task in Denmark. It can be truly declared that the Danish Press has given greater space, interest and sympathy to the Economic Conference than to any previous international meeting. As to the Danish Government this much can be said already, that the report of the Danish Delegation will be laid on the table of the Houses of Parliament, where, since many members have followed the work of the Conference with the keenest interest, it is very likely sooner or later to become a subject of debate. The work of our Delegation at home is, as will be seen, well started, and there is no danger that the

labours of the Conference will become a dead letter or a dead file here. But such danger cannot be said to exist generally; for important international Congresses and Conferences—the dates of which have already been fixed for the near future—will put the principles and resolutions laid down in May at Geneva to new tests and new discussions.

- (a) The first international meeting of this sort was the Congress of the International Chamber of Commerce which met at Stockholm on the 27th June. Many of the same men who co-operated at Geneva were there, and as the first subject to be discussed was Tariff Barriers it meant a revival of what happened on this item at Geneva.
- (b) In August the General Conference on Communication and Transit met at Geneva and discussed among other questions those dealt with in Section IV of the Resolution on Commerce under the heading “Discriminations arising from Conditions of Transport.”
- (c) The Diplomatic Conference which is to meet at Geneva in October will discuss the draft convention to be prepared by the Council of the League of Nations with a view to abolishing import and export prohibitions and other restrictions as recommended by the resolution on Commerce.
- (d) A Diplomatic Conference is also proposed for the purpose of preparing a common tariff nomenclature for the *more important branches* of production pending the establishment of a complete nomenclature.
- (e) The Economic Organisation of the League, possibly as a new body, will have to take up the various recommendations which the Final Report has decided to entrust to its investigations. It will be remembered that the Conference made no positive suggestions with regard to the composition of this new body, but confined itself to drawing the atten-

tion of the Council "to the well-balanced composition of the Preparatory Committee and to the excellent results derived therefrom in the preparatory work for the Conference." The definite constitution of the Committee in question is, therefore, a matter awaiting solution, and it is to be hoped that it will be reached before long.

- (f) Finally, in January, 1928, the Sixth Pan-American Conference is to be convened at Havana, and placed on its agenda are many economic questions of interest not only to America but also to other countries. It will be remembered that at the same time as the Economic Conference sat at Geneva the third commercial Pan-American Conference and the second Pan-American Conference for the unification of nomenclature held their sessions at Washington. The echoes from these Conferences were received with satisfaction at Geneva, and the coming Pan-American Conference may, therefore, serve to emphasise, like its predecessors, the economic interdependence of continents.

What action will the Governments take? Shall we witness as responses to the Conference the erections here and there of new high tariff walls or the coming into force of new restrictive measures in this or that province of commerce, transport or immigration, just as we had to witness the adoption of the new German Customs Tariff as a rather negative answer to the resolutions passed in 1924 and 1925 for the calling of the Economic Conference? Why exclude the possibility of such developments? We have already seen some measures introduced on the very morrow of the Conference by certain countries of such a nature that they cannot be booked as victories in the spirit of its resolutions, but quite the contrary. Old methods are not wiped out by resolutions. Nationalism and the effort to maintain self-sufficiency, are still deeply rooted, and the industries set up artificially under this effort will fight to the bitter end for their existence. It will be a long and hard fight. But

whatever power protectionist and autarcistic ideas may still wield, their representatives had not encountered until the meeting of the Economic Conference an open display of the forces which could be mustered against them, and let me add this important fact: Many of these forces were unknown to one another. What rendered the Conference remarkable was that members who had never met and had no idea what their colleagues were going to say, said the same thing, and found themselves thereby in often unexpected mutual accord and harmony in advocating Liberty of Trade and the repudiation of the methods of the past. Protection was silent, at least it made no display of opposition. Does this mean that the Protectionist forces will try to get reinforcements? Does it imply a *reculer pour mieux sauter* movement? I doubt it because of the following circumstances:

The success of the Economic Conference was in great measure due to the fact that it took place at a period so late that, according to various leading statesmen, industrialists and economists, it could be described in the words "the worst is over." Readjustments of State budgets, stabilisations of currencies and of political relations in the great majority of countries have been powerful levers, and readjustment is gradually, though very slowly, taking place in the province of the two great evils with which Europe has had to contend: unemployment and the exhaustion of savings which again means lack of capital. The nervousness which caused post-war dislocation and its attempt at creation of "prosperity in compartments" has somewhat subsided and given place to more moderate views altogether. Such moderate views can be gradually strengthened, and the stigma attached before the whole world by practical men of business at Geneva to the nine years post-war policy of Economic isolation, and their condemnation of the same as having proved a total failure, cannot but strengthen such moderation wherever it is growing up.

Now it is evident that if this process of gradual moderation as a world factor has any hope of developing into anything stable in the province of economics it must be supported by a similar development in the field of mere politics. The question whether such a development will take place is an open one, however, and so is the question whether the circle of men who met at Geneva will increase to such an extent that so powerful a public opinion will be created that Governments cannot afford to ignore it. The formation of this sort of public opinion is, of course, what must happen in protectionist and autarcistic countries. But this can take place only very slowly, very cautiously and by *fragments*.

The idea of fragmentary progress strikes me as extremely sound and judicious. It can be applied in two ways :

1. In the endeavour to carry out parts (fragments) of the resolutions as far as possible by all-round international co-operation ;
2. in limiting action to a certain number of groups of States, congenial in their economic policy and in their political ethics, and, therefore, specially fitted for serving as ice-breakers to the rest of the world (here then the idea of fragmentary proceeding is geographical).

Both ways can be explored simultaneously, just as the work we have spoken of before, to be carried out in the individual countries under the influence of the returning delegates can progress hand in hand with what is done at the international meetings to take place in the near future. We find similar ideas expressed in various passages of the final Report of the Conference, and particularly in the Resolution on Commerce. Dealing with the problem of establishing a simple systematic Tariff Nomenclature the resolution declares that, if the adoption of a common nomenclature for various important branches of production seems to be realisable before a complete nomenclature has been established, the adoption of such (partial) nomenclature should be suggested to the Governments by means of a diplomatic Conference or by other means, and that, either by means

of *bilateral* agreements or by a *plurilateral* convention or by any other procedure, Governments should undertake to apply this (partial) common nomenclature. And dealing with the all-important matters, Commercial Policy and Treaties, the resolution, after claiming that the time has come to put a stop to the increase of Customs Tariffs and to move in the opposite direction, insists that such movement should be made—apart from the individual action by States in regard to their own tariff—by *bilateral* action through the conclusion of suitable commercial treaties and by *collective* action, by means of an inquiry tending to encourage the expansion of international trade on an equitable basis by removing or lowering the barriers to national trade, etc.

Thus we see that the hope of future development in accordance with the principles adopted by the Conference is to no small degree founded on actions taken by smaller or larger groups of States apart from what may be achieved by the common consent of all or nearly all States.

When we spoke just now of fragmentary progress, through action taken by groups of States, it is natural to ask what sort of States are meant to form such groups, and what should be their qualifications. The answer must be that such action is hardly to be expected except from States which pursue a liberal or semi-liberal commercial policy. The less Governments have to undertake themselves in the way of reducing or abolishing the restrictive measures of their country, the easier co-operation by groups will be. Let us, however, not overlook the fact that there are Governments which have already done their full share with regard to a liberal tariff policy, and that if the tariff level of such countries had been the level of the rest of the world, the question of tariff barriers would not have played the important part it did at the Conference. But the fact that there is a group of States already in existence which pursues a liberal commercial policy affords ground for twofold considerations.

If such States may be thought to live under a régime

which facilitates action in the direction recommended by the Conference, the mere existence of such States should be recognised as a first-hand advantage for the attainment of the new order of things.

If this be right there is one thing more to be said, and this is that even in States where protection is abhorred, the moment may come under the pressure of present evils, when doubts will intrude as to whether such states should not at length retaliate. And let us go to the furthest extreme by supposing that after protracted discussions at all the aforesaid international meetings, the work of the Conference be doomed to failure, and there seems no likelihood of a new era or of a Magna Charta of World Economics in accordance with the precepts of the final report. Well what then? Not only will the fight for the so-called economic security grow fiercer, but who can then guarantee that the nations, who in spite of what has happened around them in the world, have clung to liberal methods, will resist following the example of others by mere contagion of public opinion and in self-defence. Do those countries which have it in their power to prevent a situation of this kind arising with its menace to peace and prosperity realise what responsibilities are theirs?

This gloomy prospect will not materialise we hope, and our hopes are founded not only on the aforesaid increasing moderation which in later years has shown itself in the handling of all the divergence of views which have presented themselves for reconciliation, but on the steadily growing authority and influence of that great institution for the preservation of world peace under the auspices of which our work took place at Geneva.

The efficiency, zeal, and enthusiasm shown by the officials of the League, impressed us all, and the rapidity with which the publications, daily journals, translations, etc., were produced, finds no equal anywhere in the world. It was, therefore, not surprising that when the President of the Conference paid his tribute to the Economic Organisation it was responded to by all the members with spontaneous

and long applause. I do not think it is too much to say that nowhere in the world outside the League could this Conference have found the technical assistance and political advice which it received from the Economic Organisation. There is no room inside an ordinary Government Department for work of such magnitude as that which we witnessed from the personnel of the League during these three weeks of May. This personnel with its seven years' training and with the exemplary spirit that drives it, must necessarily outweigh the ordinary Government officials who would have been delegated *ad hoc* to assist the management of the Conference, had it been convened at some European Capital. I wish, furthermore, to say that had the League been created with the sole purpose of working for world peace on the basis of economic understanding between nations, it would have justified its *raison d'être* by the work it did at this Conference. The permanence of the League, combined with its aloofness from what hampers and burdens the daily life of national governments is its great strength. Sheltered as it is from the plague of political party strife and thereby from the worries and surplus work attendant on such strife it is eminently fitted to deal with greater freedom and independence of mind with the problems submitted to its consideration. It naturally becomes in this way the *World's Savings Bank* for all the elements which individual countries and private institutions are able to contribute towards peace—in the case we deal with here—economic peace. The great and creditable work achieved by the International Chamber of Commerce has been invested for instance in this Savings Bank, and has been made more fruitful there. The work of all the economists, business men and Government officials, which stands on record in the remarkable collection of documents compiled for the use of the Conference, to say nothing of the efforts of individual members of the Conference, has also been made more fruitful there, because of the receptive co-ordinating and reverberating power of the League.

The reflex action brought about in this way, the mutual

fructification caused by individual effort, efforts of States or groups of States on one side and the World effort through the League on the other is then the next factor we may look forward to with hope and confidence. And at the root of this hope and this confidence we find that a very effective motive-power called necessity, and called very often in the Report of the Conference the interdependence of nations of industries and of classes, the interdependence, which is gradually making the world understand that "prosperity is not something which can be enjoyed in compartments." If this be true in the province of economics it is no less true in the cultural and political spheres.

I have before me an article in the April issue of the *American Quarterly Review of Foreign Affairs*, bearing the title: "April, 1917—April, 1927," a paper that cannot be called by any means international or pacifist in the sense in which these words are generally used by nationalists. The article, on the contrary, breathes the warmest American patriotism and tries to explain American mentality through the various periods of the last decade and American idealism as it has naturally changed during this interval. The author is of the opinion that this change has been greatly influenced by the new bonds which as a consequence of the world war have tied America *volens volens* to Europe and the rest of the world. "The more the doctrine was preached that she (America) must leave Europeans to stew in their own juice, the more she discovered herself stewing along with them. The time had passed when any one nation could live unto itself. It could not even die unto to itself, for the whole world would then be chained to a body of death from which a mortal infection would flow to the rest. This was the new experience to America." And the article ends with the following open recognition of interdependence and necessity of co-operation: "As the tenth year closes we can hear the slow grinding of the mills of the Gods. By a kind of moral gravitation the ends of the earth are more and more drawn together. America aloof is as impossible to conceive as America thrust back to Colonial days. Trade knits us

to other lands, finance calls us, common problems of health bind us. Quickened intercourse and interchange make it impossible for us to live apart. For us not to be willing to share and to co-operate is to shrivel and to die."

The voice heard from beyond the ocean is worth noticing, coming as it does from a country in which self-sufficiency repudiated generally by the Conference, is considered to be a possibility. The resolution on Commerce says on this point: "This effort (at self-sufficiency) cannot hope to succeed unless it is justified by the size, natural resources, economic advantages and geographical situation of a country. There are very few countries in the world which can hope to attain it." America is no doubt such a country, and now we see that even there the idea of self-sufficiency is repudiated. It may be a lonely voice; but the fact remains that such ideas find expression in the strongest and most independent economic unit of the world. If even there the thought has emerged that a nation, however rich, powerful and favourably situated from a geographical point of view, cannot live its own life without danger of decay and death in the long run; what a warning and stimulus is thus furnished to divided and comparatively weaker Europe.

G. DE MICHELIS (President of the International Institute of Agriculture in Rome).

The subject of this article is the "possibilities and probabilities" of applying the resolutions proposed by the Economic Conference.

Certainly the two words, possibilities and probabilities, have not been chosen haphazardly. Many things are possible, few are probable, especially when it is a question of achieving realisation in the field of international policy.

The wide category of possibilities embraces the solemn declaration of ideal principles and the indication of what form the positive remedies should take for proclaimed evils. These declarations and these indications, even if they are fated to lose some of their meaning in translating theory into practice, have nevertheless very great moral worth as elucidating the origin of the evils which at the present moment overwhelm the economic life of the whole world.

On the other hand, the more restricted category of probabilities embraces very modest resolutions and indications of remedies, which indeed are not efficacious enough to cure the "Great Evil," either radically or immediately; but they can at least mitigate its injurious effects and facilitate a gradual improvement in the situation.

I believe that the Conference has very wisely gravitated towards the latter course. That is why I am confident that a certain number of its aims will not be lost in passing from "probability" to "reality," a transition which in order to be final becomes correspondingly difficult.

I am all the more certain of what will follow since I myself took part in the Conference in my capacity as President of the International Institute of Agriculture and I am in a position, therefore, to assert that many of the resolutions adopted and schemes outlined—even if the resolutions were adopted and the schemes were outlined with regard to

problems qualified as "industrial" or "commercial"—will see their practical application realised in agriculture which is of all human activities the most practical, the most vital and the most capable of realisation.

In discriminating between doctrinaire and partisan conceptions of free trade, the resolutions of the Conference, in so far as they relate to the "Liberty of Trading" dwell on several definite questions and recommend several fundamental lines of action which aim at avoiding the aggravation of conditions—already serious and hampering international exchange—by systems of disguised protection. These are too often hidden under the semblance of measures intended to protect the interests of the consumer; while in effect their object is to avoid so doing by means of further restrictions and even by clauses in commercial treaties.

Agriculturists from sad experience are fully acquainted with these serious obstructions, which also assume the guise of defensive measures against diseases and enemies of plants. Consequently they will welcome with pleasure the programme of the Conference and undoubtedly they will co-operate with the greatest fervour to achieve its practical realisation.

Besides, in order to prove the "probability" of being able to apply direct methods we must remember that the International Institute of Agriculture is now trying to bring about on the one side an effective co-operation between States to combat diseases and enemies of plants, and on the other, the regularisation of commerce and a unification of measures of policy relative to analysis, supervision and the quality of produce.

The same can be said of another proposal of the Conference—the simplification of Customs Tariffs with, at the same time, a unification of Tariff Nomenclature.

One of the most important resolutions passed by the Conference on Commerce is that which declares that the most formidable obstacle to the establishment and development of permanent and secure commercial relations between

countries is the instability of tariffs and the inheritance of commercial treaties with their excessive modifications of customs duties, which aggravate and increase uncertain conditions and prevent development of international economic life.

On this point also we are in a position to gauge and verify the importance and gravity of the situation by means of the authority which has been given to us by agriculturists and, I may add, by the International Institute of Agriculture.

Mr. Runciman, during the Conference summed up his powerful analysis of present evils in the words "long dated contracts are no longer possible" and consequently it is no longer possible to establish any scheme for production covering a sufficiently long period.

If this instability and uncertainty exercise a paralysing influence on all economic activity it is also detrimental to agriculture; since it is necessary for the proper development of agriculture to plan work in advance over a long period of time. Indeed not only is one year the regular period for production but in order to obtain a good yield of produce it is necessary to establish a rotation in cultivation for three, five or seven years.

Agriculture, indeed, suffers from continual and rapid changes of economic conditions more than any other form of human activity just because it must submit to changes to which it possesses only very limited means of adjustment.

The documents collected by the International Institute of Agriculture provide positive proof of this, based as they are on an analysis of farm accounts. To quote only one fact among many, I reminded the Conference that on the evidence of completed research the period of the greatest losses and the lowest profits for agriculture in all countries which have submitted information of their returns was the period 1921-3. That proves that the causes of it should be traced to general economic conditions and especially to conditions of instability and uncertainty which react most forcibly on agriculture.

To plead in consequence for such ameliorative measures as greater stability of tariffs and longer duration of commercial treaties is a matter of urgent and generally recognised necessity.

Now with regard to industry. One of the fundamental principles laid down by the Conference is that of rationalisation, which in its turn embraces scientific management of production.

To improve methods of labour and of production in order to obtain the maximum of efficiency with the minimum of effort and costs is an aim so clearly defined and so attractive that it deserves to yield a large harvest of approbation and co-operation.

Moreover, the principles laid down by the Conference have already been applied in certain instances. In September the Third International Congress of Scientific Management was held in Rome and the International Scientific Council—founded by the International Institute of Agriculture as a special commission within itself for the scientific management of agriculture—will meet in November.

Scientific management has been very sparingly adopted, especially in agriculture; but great advantages for the producer, the worker and the mass of consumers can be derived from it. But in this case the Conference was limited to the rôle of looker-on and to giving merely objective consideration to the subject of International Industrial Agreements which, though they are called Syndicates, might well be called Monopolies.

I thought it necessary in my speech at the Conference to give particular attention to this subject; for I attribute to it an importance which is in direct relation to the aims proposed by the Conference. The fact is that the most obvious and most palatable results of International Industrial Agreements—of monopolies—are not a more methodical organisation of production, or a reduction in costs, or a better utilisation of equipment but a continuous rise in the prices of industrial products brought about by means of a

voluntary reduction of production. The significance of this fact is increased when it is placed alongside the financial crisis from which agriculture is suffering. In the book which the Institute presented to the Conference—*Agricultural Questions from an International Point of View*—it is shown that for all countries for which there are statistics—Germany, Denmark, Finland, Norway, Sweden, Great Britain, Italy, U.S.S.R., Switzerland, Austria, Belgium, The Netherlands, Poland, Czechoslovakia, Canada, United States of America—the conclusion is everywhere the same: the index-number of prices for industrial products is much higher than that for agricultural products. Everywhere the agriculturist receives lower prices than he did before the War and if there are exceptions for certain articles the fact taken as a whole is indisputable. Industry, thinking to save itself, has sought to reduce production and to sell at a higher price; so that agriculture, which has not only maintained, but has exceeded, the volume of pre-war production, has been unable to find enough industrial products to exchange with for her own.

Now this not only hits agriculturists, but strikes at the very heart of the economic life of nations, which has thus to submit to the pernicious consequences of restrictions imposed by industrial monopolies.

That is why I asked the Conference: "Should we remain indifferent in the face of this situation and should we confine ourselves to stating that economic activity is overwhelmed by the continual development of syndicates and of industrial monopolies, or on the contrary should we not discover how to restrain this movement within certain limits and confront it with something like a counterpoise?"

It is clear that the most effective means of establishing equilibrium would be the extension of the syndicalist movement in agriculture, thus using the same means to counterbalance the influence of industrialists. But the spirit of association in agriculture is hardly awakened and very little felt, partly because agriculturists are very numerous, partly because the differences from the interior

to the frontiers in the same country are so great. To-day, the few agricultural syndicates that have been successfully established are limited to purchasing or selling in common. The latter instance is particularly interesting as it represents the first attempt at bringing producers and consumers together and so reducing the costs by eliminating the middle men.

Nevertheless, interesting as these kinds of associations are, they have neither the character nor the influence of the syndicates which intend to regulate production, finally to restrict it and to apportion its markets one after the other.

It is necessary to avoid forcing agriculturists to have recourse also to making agreements the object of which is to exercise a depressing influence on production.

In order to escape this serious peril it is necessary in the name of a higher human fellowship to give to agriculture the place which rightly belongs to it and to make conditions possible for it to develop to its full extent. It is only in this way that industry too can prosper. I pointed out at the Conference that the constant shifting of population was among the causes of agricultural depression; and both Mr. Runciman and M. Gwinski agreed with me. It is absolutely essential to control this migration if the land is to be made to pay. "We have countries" I said in my speech "where the lack of agricultural labourers is strikingly manifest and others where this lack is almost absolute."

It is necessary too to discover the just equilibrium on this point so as to secure the possibility of a better utilisation of the equipment of production throughout the world. This raises another problem of the greatest importance: that of a better balanced distribution of manual labour over unoccupied and uncultivated territory in order to convert it into a source of benefit to the whole community. These two problems are quite naturally bound up with the proposal to control prices and the distribution of raw material for which several speakers, principally M. Schidaki, have pleaded as a means of securing really fair distribution. In resuming the

task constantly carried on for several years by Italian delegates either to the League of Nations or to the International Labour Bureau it is a good omen that this primordial question has again received much sympathetic attention.

Of all the resolutions passed by the Economic Conference on special agricultural questions the one which touches agriculture the most nearly is that of Agricultural Credit. One of the greatest obstacles to the proper development of agriculture is the lack of available capital and the high terms charged for capital.

This lack of capital is universal, but specially so in Europe; even more so in countries where agricultural reform—that is to say wide distribution of land—has been thoroughly accomplished.

Following up a motion of the International Parliamentary Conference on Commerce the International Institute of Agriculture has decided to grapple with this situation and has convened a special conference—and is even now engaged on the work of preparation—which will investigate the best means of organising a transfer of capital to be used for agriculture from countries which can provide it to those countries which have need of it.

The case of Colonial and Tropical Agriculture is exactly the same. The resolutions of the Conference have already begun to be applied, thanks to the creation of a bureau for tropical and sub-tropical agriculture within the sphere of the International Institute of Agriculture. It is needless to dwell on the practical importance of the agricultural documentation, carried on at the Institute which received the highest praise from the Conference. It is evident that it ought to be the basis of all investigation which has to deal with the development and life of agriculture. I have already spoken of the conditions formulated by the Institute and the analysis made by it from agricultural statistics.

It is important to continue along this path. The Conference said with real intuition that documentation is an

effective way of facilitating understanding between nations and also between the producer and the consumer.

It is essential to say something of statistics. The International Institute of Agriculture in the course of work covering a period of more than twenty years has experienced again and again the practical utility of statistics for providing an actual and exact basis for investigation and research.

A world agricultural census that is being prepared and which will be ready in 1930 will afford sufficient proof of this. I may add too that special commissions have been set up within the International Scientific Council and the International Institute of Agriculture for procuring statistics for agricultural credit, for colonial and tropical agriculture and for forestry.

I think this is an opportune moment to remind all those who are interested directly or indirectly in the problems of the land that they will find in our great international organisation an instrument already forged either for the examination of problems which affect agriculture or for co-ordinating effort and the good will of agriculturists in the interest of production.

Its ability to produce results will be the more potent and manifest when the twenty-six commissions which form the International Scientific Council are fully organised and when the Permanent International Commission of Agricultural Associations, which has representatives from 162 big national organisations, has shown the value of its admirable strength in co-ordinating and penetrating the mass of agriculturists in different countries.

R. SCHÜLLER (Chief of Economic Section, Austrian Federal Government).

The Austrian Government has submitted the Final Report on the World Economic Conference to the Parliamentary Committees on Customs Duties. The general debate on the resolutions voted in Geneva, which occupied four meetings of the Committee in June, showed that all the political parties were in agreement with the results of the Conference. The Federal Chancellor, Dr. Scipel, declared that the Austrian Government fully agreed with the resolutions passed by the Economic Conference and the competent departments were instructed to set to work to put them into execution. The Chancellor also said that the Austrian Government would communicate to this end with the Governments of the other countries.

The strong effect produced by the Economic Conference is due chiefly to two circumstances: that the Conference made the Nations conscious of the fact that all European States, although in a different degree, labour under the same economic difficulties, and that in the course of the debates it showed that the public opinion of all European countries had become aware that the ruling policy of raising economic barriers is one of the principal obstacles to their economic development.

These facts have made it possible to arrive at unanimous resolutions and they justify the expectation that these resolutions will also really be carried out. It is to the merit of the League of Nations to have created an atmosphere favouring this agreement and for its Secretariat to have organised successfully after a thorough and comprehensive work of preparation the discussions of 350 delegates and experts.

Besides the many matters of detail which it will be the task of the Economic Committee of the League to examine,

there are four new international actions which will spring from the resolutions of Geneva : an international agreement on the abolition of import and export prohibitions and restrictions, for the discussion of which the delegates of the Governments will assemble in October ; an international Convention on the legal and economic status of foreigners, intended to take the place of the imperfect and varying dispositions of the Treaties of Commerce ; the creation of a commission which shall proceed to a unification of Tariff Nomenclature, a proposal which while seeming to be of a purely technical character, may in fact become a very important instrument for operating a change in the actual methods of commercial policy ; and the very important request addressed to the Council of the League to initiate an action for eliminating or reducing excessive customs tariffs and securing a common basis for commercial treaties.

This resolution has a fundamental importance. Until now, and even a few months ago, it would have appeared absolutely impossible to initiate such an action. It was considered a matter of principle that the League should not interfere with customs tariffs and commercial treaties, these matters falling within the unrestricted sovereign jurisdiction of each State. The Conference convened by the League of Nations in 1923 had, therefore, to limit its scope to the simplification of customs formalities. But at the World Economic Conference the argument in favour of unrestrained sovereign jurisdiction was countered by the fact that the representatives of fifty countries had assembled for the very purpose of making recommendations to the Governments concerning the use of this sovereign jurisdiction. It was argued that each treaty between two or more States implies a conventional limitation of the sovereign jurisdiction of these States, that with respect to communications and social legislation numerous international conventions are in force and are continually being developed, and that international co-operation in commercial affairs ought not to be arrested at a point at which interdependence and

policy is greater than in any other domain. But it was not so much arguments that mattered, but, as the debates at Geneva proved, the fact that everywhere public opinion welcomes this idea and insists on its realisation. The general feeling can be characterised as follows: the establishment of freer international trade is a necessity; if the necessary change in the tariff and commercial policy can be operated by international conventions the Governments must try to bring about the conclusion of such conventions.

The difficulty of this task is undoubted. It is a new one; for only in certain branches of production are arrangements of a similar kind to be found as e.g. in the Sugar Convention of Brussels and the international cartels. The chief difficulty consists in the great difference between the tariff-policy of the various States. To safeguard the interests of the contracting parties it will be necessary to take these differences into consideration. But in order to achieve practical results it will be necessary to agree on simple, rounded-off formulas that are generally applicable. For the Commercial Treaties such a formula has been found in the most-favoured-nation clause. It will be a much more complicated business to find a convenient formula for the reciprocal reduction of the tariff level. That is the problem which will now occupy the economists of all States. It is to be hoped that their discussions and the negotiations of the Governments will soon lead to an effective plan calculated to secure the execution of the resolutions of Geneva.

J. DVOŘÁČEK (Former Minister of Commerce, Czechoslovakia).

The Economic Conference has indicated the general outline of the course to be followed by political economy in all countries in order to achieve the purification of post-war economic conditions. The delegates at the Conference, representatives of economic tariff of their several States, will without any shadow of doubt continue to uphold and to spread in their respective countries the ideas formulated by the Conference. It is here especially that I attach the utmost importance to its work. For if the members of the Conference continue to support with all their influence and authority the effort to improve on the recommendations of the Conference, these recommendations will be in the future put everywhere into practice.

It can be seen already in different countries that Governmental and Parliamentary circles are seriously engrossed in the results of the Conference. I do not wish to speak except of my own country where the Government has transferred the resolutions of the Conference to the economic council so that it can disentangle from them the necessary measures which it will have occasion to place in the sphere of national economy, and more especially in that of commercial policy.

I am convinced that these proceedings are capable of gradually realising the ideas formulated by the Conference, just as the resolutions of the Conference were the result of complete agreement of all its members, an agreement arrived at relatively quickly.

In the sphere of commercial policy which I wish to emphasise particularly, the Conference recommended a series of sound principles, justified by experience; the stabilisation of customs tariffs, the restoration of long term commercial treaties, the employment of the system of most-favoured-nation treatment, which calls for immediate

action from those who are trying to realise by degrees the resolutions of the Conference.

It can also be seen that the Council of the League of Nations has not delayed in beginning the work necessary for this purpose. Practically as soon as the Conference was over the Council of the League of Nations convened an Extraordinary Meeting of its Economic Committee in order to proceed with the work of preliminary investigation bearing on the resolutions of the Conference relating to customs tariffs and particularly to the unification of customs nomenclature. The Economic Committee at its Extraordinary Sitting achieved the task of determining a series of preliminary activities capable of allowing the economic organisation of the League of Nations to handle in the future in the most profitable way the investigation questions raised by the Conference.

In view of this activity, and in view, moreover, of the manifestations of sympathy exhibited in different countries with regard to the programme outlined by the Conference, I believe a very favourable atmosphere was created for the gradual realisation of the decisions formulated by the Conference.

WALTER STUCKI (Director of the Division of Commerce
at the Federal Department of Public Economics,
Switzerland).

The Conference has not been content merely to record facts ; it has proclaimed them ; and herein lies the supreme value of its work. It tells us that the time has come to change the economic policy of Europe. All alike must strive to stop the further rise of tariffs, and must do their utmost to bring about a gradual lowering of them. Yet these tariffs must not be removed altogether ; they must be reduced. Undue precipitancy would have incalculable and disastrous effects on production. Reduction should take three forms. Firstly, every State should reduce on its own initiative wherever it could do so without jeopardising vital interests ; secondly, inter-State commercial treaties containing tariff agreements should be concluded, whereby each party would obtain from the other concessions enabling it to effect reductions. Last, but not least, an international organisation—the Economic Committee or some other Committee—should be given powers to examine national tariff questions from the international standpoint, and to make proposals for common, simultaneous and centralised tariff reductions. This marks a great step forward. Even so recently as six months ago the Economic Committee hardly dared breathe the words “ customs tariff.” To-day all the members of the Conference are declaring that the time has come when the League of Nations may—nay, must—take this delicate subject in hand. This international organisation is to carry its investigations further, and keep a register, in which every customs tariff and every obstructive measure will be noted, and it will pass judgment thereon. This would not of course prevent anyone from taking whatever decisions they pleased. But all the people who met at Geneva would, as men of repute,

hesitate to carry out in their own country what they declared at Geneva to be a menace to the world at large, and therefore inimical to the interests of individual States.

The intention in passing the resolutions was to erect a *moral barrier*. If in the future a State desires to raise its customs tariff, it is quite free to do so. But it will have a twofold barrier to surmount. It will first have to overcome the opposition of those who at Geneva declared that what the State is proposing to do is harmful; and then it will have to surmount the barrier constituted by the moral authority of the World Economic Conference itself.

The whole development of the League of Nations has shown that what is right and lawful does not consist in the written word only. Whatever the overwhelming majority of honourable people feel to be right is right, and as such it triumphs. If we hope anything from the World Economic Conference, it is that this Magna Charta will be enshrined in public opinion, that it will create a sense of right which will ultimately become an embryonic rule showing what is lawful in the international economic field and what is unlawful—a rule that individual States will never transgress with impunity. It is still a far cry to such a state of affairs. Work and propaganda are needed. Yet we are convinced that these views will gradually command acceptance. There will be setbacks. But already the need for subterfuge and pretext is felt to excuse attempts to run counter to this sentiment. Barriers have been erected which, before Geneva, were unknown. Those delegates who are helping to build up their country's commercial policy are constrained, if anything that takes place in their own country is contrary to these principles, to excuse their failure to prevent such mistaken action. They will continue to combat it, and must strive again and again after each defeat to bring about the ultimate triumph of truth and reason.

That is the new, the great thing the Conference has done. It is a first step. The Conference was not asked to conclude conventions, but to recognise facts and make recommenda-

tions. It has done so with a frankness and truth hitherto rare in the international field. And the people who have done this are not mere theorists and dreamers, but practical men of the world. They were *unanimous* over the principles they laid down. If we succeed in following up this first step with a second; if we succeed in bringing home to public opinion, to the Press and to our leaders in the economic field the necessity of thinking internationally, of recognising that no one can or dare violate these principles without indirectly sustaining harm, then tangible success will be ours with the second step.

A certain measure of success has already been achieved. If to-day we sit down together at a table to negotiate a commercial treaty, and one of the parties tries to defend anything that is condemned in the resolutions, he can be put down, and he will be very unlikely to raise the question again; nay, he may afterwards help to promote the general interest by co-operating in the application of the Conference's resolutions.

I trust I have succeeded in showing that in every country beneficent forces are at work, forces which are conscious of the ills from which we are suffering and are determined henceforth to make a firm stand against worn-out methods which have been shown to be wrong. These forces will often be beaten; but they will still continue to preach the Gospel of Geneva until those influences which are all-powerful—the Press, Parliament, and, in our country, the massed public opinion of the electorate—realise that the main lines laid down by the experts at Geneva in May, 1927, represent the foundation whereon international economic prosperity is based.

PART III

SPECIAL POINTS OF VIEW

THE PLEA FOR *FREER* TRADE

DR. BERTIL G. OHLIN (Professor of Economics at the University of Copenhagen).

THE resolutions of the International Economic Conference which concern international commerce have generally been taken to favour free trade. This is not exactly true; for the resolutions were carefully worded so as to oppose only "excessive" protection, whatever that may mean. That is the explanation why it was possible to make so many representatives of protectionist countries subscribe to the recommendations. They are a plea not for free trade, but for *freer* trade.

There has been a surprising amount of agreement among those who have commented on the resolutions that the most important sentence is the following: "The Conference declares that the time has come to put an end to the increase in tariffs and to move in the opposite direction." Nothing can be more justified than the stressing of this attitude already in the beginning of the introduction to the commerce resolutions, where it is said that it "is the unanimous desire of the members of the Conference to make sure that this Conference shall, in some way, mark the beginning of a new era, during which international commerce will successively overcome all obstacles in its path that unduly hamper it, and resume that general upward movement which is at once a sign of the world's economic health and the necessary condition for the development of civilisation."

The natural way of working in favour of freer trade is to remove the causes of the opposite policy, protection. Consequently, the Conference tried to find out what they are. Some of them are stated under the heading III: 1 of the resolutions. No doubt there are others, which have in some

countries been even more important. It is not necessary, however, to enter here upon a description of all the various arguments which have been used in favour of an ever-increasing protection. They all centre about one thing: a belief that high protection should reduce unemployment and make it easier to find new employment for the growing population.

This belief is declared by the Conference to be erroneous. The resolutions go further and stress several times the contention that the post-war tariff policy, characterised by high and unstable tariffs, far from being a remedy for, has been one of the most potent causes of unemployment.

Such declarations from so authoritative a source should exercise a considerable influence on public opinion in Europe and should strengthen the hands of all those who, each in his own country, work for greater freedom of trade.

In the last resort, the growth of protection has been due to a general belief that it would be beneficial, and there is consequently in the long run no other way to ensure a wiser and more liberal-minded commercial policy than to change the public opinion in favour thereof. It has been said many times already, but cannot be said too often, that the work of the Conference in this respect only marks the beginning.

There is, however, one weak point in the reliance exclusively on propaganda to change the tariff policy in Europe. I am not thinking of the fact that this must be a slow and laborious road to success; for I am sure that there is no short one. Much more serious is the circumstance that not all arguments in favour of increases in tariffs are wrong. Undoubtedly, there are cases where a country by means of a temporary duty can diminish her unemployment and make gains, although at the expense of other countries. Take, for example, a case where another country has raised its import duties on certain goods and has thereby thrown some workers in the export industries of the former country out of employment. These workers will, under present conditions, find other employment only after a slow and

costly process of adjustment. So it is not at all impossible that certain temporary import duties in this country may hasten a development which would nevertheless have taken place, but at a much slower pace.

Another example is when industries in highly protected countries start an irregular dumping into a country with a comparatively liberal tariff policy. The latter may, with advantage, defend itself against such a procedure by means of anti-dumping duties.

It is true that the importance of such cases has been highly exaggerated. Consequently sound propaganda has a lot to do in order to reduce it to humbler proportions. Nevertheless one has to recognise the fact that the case in favour of tariff increases is to some extent a good one, when it is looked at from the point of view of an individual country, however damaging such a policy must be from the point of view of, say, Europe as a whole.

What is then to be done? Evidently there is only one way out: agreements between several nations to abstain from injuring one another. In the introduction to the commerce resolutions this idea is expressed in the following words: "If it be desired that the new state of mind revealed by the Conference should lead rapidly to practical results, any programme of execution must include, as an essential factor, the principle of parallel or concerted action by different nations."

It should be noted, however, that such a procedure is necessary not only to ensure a fairly rapid progress. It is indispensable also because it demolishes the case for tariff increases in one country "as long as the others do the same." Of course, most of the arguments in favour of this case are wrong. They are nevertheless hard to disprove in a manner understandable by the general public. But it is quite evident to everybody that this whole line of argument loses all significance when "other" countries do not raise, but reduce their tariffs.

In my opinion it is highly desirable that attempts should be made very soon to bring together a number of countries

in Europe with a view to concerted action to lower their tariff walls. It is not at all necessary that such an attempt should embrace the majority of the nations; but it is of very great importance that something in this direction should be done *soon*. In view of governmental declarations it is perhaps not utopian to assume that some kind of agreement could be reached between, say, Great Britain, Germany, Scandinavia, Holland, Belgium, Switzerland and Czechoslovakia. The influence of an example set by these countries might prove decisive and lead other countries to join their company.

These countries could, however, only be expected to march in advance of the others if there were a substantial body of public opinion in favour of it. It must be recognised in these pioneer countries that reductions of one's own tariff, while beneficial to other countries, is also beneficial to oneself; provided that one received some kind of guarantee that other countries are to abstain from the tariff *increases* which may before have called for some temporary retaliatory and defensive measures. It is no sacrifice undertaken to buy favours from other countries. In this respect the following sentence in the resolutions is not quite what it should be: "Each country will then know that the concessions it is asked to make will be balanced by corresponding sacrifices on the part of the other countries."

It is true that a policy of narrow give-and-take might have some chance of success. I feel convinced, however, that the results will be great only if the feeling that a country makes a sacrifice in lowering its own tariff wall loses some of its present grip on public opinion.

So it seems that a successful propaganda to change public opinion in favour of greater freedom of trade will be much helped if some kind of co-ordinated action is undertaken in countries which pursue a more liberal commercial policy and have a more general understanding of the true nature of commercial problems. Whereas co-ordinated action cannot get very far if it does not advance concurrently with a change in public opinion. Let me add, as a

parenthesis, that one kind of co-ordinated action has been so much discussed long before the Conference that its absence in the recommendations is rather conspicuous: the tariff unions. In principle there is much to be said in favour of them. They entail, however, great political difficulties and, furthermore, they restrict the application of the most-favoured-nation clauses.

I look with much less confidence, as far as the next few years are concerned, towards another possible method, mentioned in the resolutions: commercial treaty negotiations of the old type, i.e. between two countries only. It seems doubtful if this will prove a means to reduce tariffs; for in the last fifty years it has worked the other way. Everybody will agree that it is desirable that "in future, the practice of putting into force, in advance of negotiations, excessive duties established for the purpose of bargaining . . . should be abandoned." But how can such a change of policy be secured? Evidently a preceding change in public opinion is here still more necessary than in the case of co-ordinated action before any tariff reductions as the result of treaty negotiations can be expected.

So far about the *height* of tariffs. The Conference gives much attention to another side of the post-war commercial policy: the *instability* of tariffs. The incessant variations make long time arrangements impossible and hamper a sound development of trade almost as much as the *existence* of the tariffs. It is consequently recommended that "States should refrain from making frequent or sudden changes in their Customs duties" and that "in commercial treaties as wide a use as possible should be made of the guarantees of stability afforded by the consolidation of duties."

Such guarantees, however, cut both ways. They will tend to make more difficult not only changes for the worse but also the reforms in the liberal direction. It is indeed questionable whether stability is a thing to be asked for during a period when all efforts should be directed towards a return to at least the amount of freedom of trade which existed before the war.

Summing up, I want to emphasise once more that the most important thing is to create a general tendency towards greater freedom. For that reason even small and in themselves unimportant tariff increases should be firmly opposed. They prevent the establishment of a practice to reduce tariffs. If the tendency towards freer trade is established, then almost all negotiations and agreements will lead to a lowering of the tariff walls. If it does not, then no technical device will prove very helpful. It is quite evident that the authors of the resolutions have been well aware of this. The recommendations have been framed and, indeed, the whole Conference staged in such a manner as to make it as helpful as possible to all those who are now co-operating to bring about a reversal of the protectionist tendency and a movement towards greater freedom of trade.

RATIONALISATION OF INDUSTRY

DE PEYERIMHOFF (Président du Comité Central des Houillères de France).

WHAT can be reasonably expected from the work of the International Economic Conference? No more surely than those who initiated it anticipated: certainly no more than a thorough clearing up of a vast field open and calling for investigation. The presence simultaneously at Geneva of highly competent experts and officials, delegates of fifty nations promised something like a solution of the international economic difficulties.

It is no small achievement to have assembled with this end in view a considerable amount of material derived from research, to have extracted from a meagre documentation a diagnosis of the origin of the troubles affecting the world of production, and to have drawn up a complete survey of the commercial world. To facilitate personal and collective contact, to reveal to the indifferent and to the sceptical the advantages of such contact, to make public opinion aware of the existence of an international economic solidarity, the conception of which lies in vague obscurity in the minds of the majority, such was, so it appeared, the intention of those who initiated the first International Economic Conference. It was not the province of its members either to promulgate an international code of industrial and commercial morality, or to go into the details of remedies prescribed by suffering States.

Their task, we imagine, was to investigate rather than to decide, to enlighten public opinion and governments rather than to dictate, to prevent rather than to cure. They have faithfully fulfilled their mission. Even if the unassuming work of preparation, of co-ordination and of focussing hardly satisfies the impatient, it establishes the necessary point of departure for all sound and lasting work.

When one examines the recommendations as to rationalisation and to agreements between producers which were unanimously adopted by the Commission on Industry, this conviction particularly holds good; for such outstanding issues with their social, economic and political aspects have too often been distorted by ignorance, by political hypocrisy and by doctrinaire bigotry. One must be grateful to the Conference for having restored the language of common-sense, and for having classified principles on the basis of present-day thought and knowledge.

The resolutions passed by the Conference make it quite clear that some of the causes of the troubles which afflict Europe arise involuntarily. Such are the high tariffs which in themselves are adverse to commercial exchange, the customs duties which strangle selling by a systematic depreciation of conditions of work and of prices, the protection which is scarcely distinguishable from aggression. The other causes arise either from a criminal lethargy or from an idle allegiance to red tape.

To lower tariffs and to reduce customs duties may contribute to the improvement of international relations; but it will not entirely abolish the evil. It still remains for Europe to reach a much lower cost price in order to secure a better equilibrium between production and demand, to extend its markets in order to get rid of its surplus goods, and to regularise exchanges in order to make the future secure. The removal of obstacles in commerce represents, if one may say so, the negative side of the work of reconstruction. That is why the Conference strongly recommends in all spheres of production, from the work of artisan to that of the largest business enterprise, such a perfecting of methods and technique as shall give the greatest possible efficiency to all work, and shall encourage everywhere the reduction of cost price and the extension of markets.

This "rationalisation" is not entirely new. But the Conference asserts the "urgent necessity" of more powerful, more comprehensive and better co-ordinated efforts in this sphere. Such efforts entail unquestionably the need first

for individual, then for syndicated, and finally for national and probably international, discipline. Scientific management, standardisation of material and of products on an international basis and agreements between producers from country to country will then simplify the manufacture and distribution of merchandise, put a curb on unfair or overwhelming competition, and thus reduce considerably general and commercial costs.

In this way the problem of rationalisation is involved with that of international industrial agreements; formulas of magic for the one, loaded with apprehension for the other. The Conference worked diligently. It has succeeded in dispelling certain prejudices and in checking extravagant hopes. But it would have succeeded even more if individual reservations and extra-economic considerations had not at times impeded its work. The conclusion of agreements more or less important, more or less universal between production, transport and trade, provides no more than rationalisation—the remedy for present-day difficulties; for just as there are both useful and questionable cartels, so there exist examples of drastic rationalisation profitable to private and injurious to public interest.

It is essential to open up the path of goodwill and to stimulate effort, to put the masses of workers on their guard against the danger of a preconceived hostility to all attempts at rationalisation, and to avoid arousing prejudice to beneficial agreements by any ill-drafted clauses in international legislation; these points were registered in the resolutions. On the other hand, it was considered necessary that rationalisation should be carried out with discretion in order to moderate the unfavourable effects which its application may have on certain classes of workers. The same advice was given in the agreements for showing a proper consideration for the interests of workers and of consumers, and for the expectations and needs of countries forced to meet the exigencies of their economic progress and development.

It was felt at the Conference that the worst of the con-

tingent abuses of rationalisation might be expected to be rectified by the co-operation of experts and of officials of technical and business organisations in all stages of its processes, by the fair distribution of the profits which would follow from a better output, and by the rapid recognition in all circles of the benefits and obligations which the system brings with it. Over national agreements neither international jurisdiction nor a special juridical regime should have any authority: let there be fair play for free and loyal associations. The universal knowledge of agreements, voluntary arbitration entrusted to large private and public organisations, and the supreme control of an enlightened, intelligent and unbiassed public opinion, will, it may be hoped, combine to adjust the working of rationalisation to the general public interest.

Here, then, are the cardinal truths—moderate truths which the Commissions at Geneva wished to disseminate. The greatest service which they could render to the world was that of addressing to it the solemn appeal contained in their resolutions, forgetting that their own work of preparation must always presuppose a real desire for active co-operation between individuals, groups and nations. What has been done is certainly only a beginning; but the outstanding problems have been approached from the right angle. Treacherous ground has been trodden on; but no false step has been taken. It now remains for governments, for institutions and for business organisations, to continue the advance.

INDUSTRIAL AGREEMENTS

(Extract from Third Meeting of the Industry Committee, held May 10th, 1927.)

M. LAMMERS (Germany) said that he would base his remarks on the discussion which had taken place at the meeting of the Committee on the previous afternoon. He referred to points which had been raised by various speakers and then proceeded as follows: All countries have made mistakes in the past, and in rectifying them there are important fundamental principles to be borne in mind. M. de Peyerimhoff has said that the present difficulties must not always be considered as a consequence of the war and the post-war period, but that they are perhaps, to a certain extent, the natural consequence of economic conditions which would have brought them about even without a war. I quite agree with that statement.

Much has been said about the differences between the situation of the United States and that of Europe. Those differences must be mainly ascribed to the war and to post-war developments. Since 1914 there has been a constant and a growing flow of capital to the United States, and Europe has been converted from a creditor into a debtor. The American people have profited by this development; but they could never have reached their present position if they had not had natural and capital resources. Europe at present is a debtor, and debtors pay, instead of the pre-war 4 per cent, often as much as 10 per cent. Generally, one might say that the interest rate had increased 100 per cent above the pre-war level. An equilibrium in this connection must be found between creditor and debtor nations; for the economic activities of Europe are extremely hampered by the burden of debt. We cannot do the same work as in former times, nor have we the available capital for long-term investments. M. Jouhaux has proposed a general

increase in wages and has said that that would bring about a general revival of production. If the process were so easy to carry through, the employers would certainly be fools not to adopt it at once. But, unfortunately, it is not so easy, and the question must be very carefully studied in all details. It must never be forgotten that it is not solely for the sake of the workers nor for the sake of the employers, but for the sake of the whole of Europe that solutions must be found. In Germany the questions are being studied thoroughly on a scientific basis, and I am in constant touch with employers and labour representatives on the subject. The question cannot be settled from a purely national point of view; for it is a European one, and can only be solved by the whole world together. If no general improvement comes about the consequence of a general rise in wages will simply be that the producers will be hemmed in between the pressure of prices and the pressure of the rise in wages. I should be very grateful to the labour members of the Conference if they would study the question very carefully; for employers have the keenest desire to arrive at a solution which will satisfy the demands of Labour.

With regard to rationalisation and cartellisation I can only say that if the capitalistic system is to function properly there must be a regular flow of blood in the veins, that is to say, there must be a regular circulation of money. In order to make that possible the Industry Committee should address itself to the Commerce Committee and ask it to help to remove all the barriers which obstruct the regular flow of capital and goods through the veins of the economic system. Public opinion generally regards industrial combinations not as purely temporary phenomena, but as something definite, final, and to be criticised. It should be enlightened on the subject of cartels, and educated to understand their advantages. The situation in America as regards industrial combinations is quite different from that prevailing in Europe; for given the enormous natural and capital resources of America the individual can work freely, unhampered by narrow limits like those by which he is

surrounded in Europe. In Europe we are obliged to have a stronger organisation simply because the area over which we work is too narrow. Consequently the work we do has to be regulated, otherwise we should end in chaos. I quite understand the desire of the workers to study cartel development; but it would be dangerous if they were allowed to intervene in the details of the functioning of cartels, and especially in the fixation of prices. In Germany we have had an experience of that danger when, owing to the shortage of coal after the war, we had to establish a joint organisation for the control of prices. Whenever the workers thought a rise in prices would mean also a general rise in wages, they gave their adhesion to the rising prices. The consumers also desired to exercise some control and to say a word with regard to these industrial combinations. But nearly all classes of consumers belong in the main to the producing class. The only real consumer will thus be represented by the State. But in practice it has been found that State intervention is injurious to production. All these suggestions, however, are rather theoretical; and the Conference, I think, should try to concentrate on the practical side of the problem.

With regard to rationalisation I shall confine myself to a few general remarks. The reason why rationalisation is most highly developed in Germany is because dire necessity has forced the German people to do everything to try to overcome their extraordinary difficulties. One of the remarkable circumstances about the development of this organisation in Germany is the whole-hearted co-operation of the workers, who have made heavy sacrifices in order to render such a strict organisation possible. Rationalisation can only function if the nations can, in one way or another, have a division of labour in Europe. But in spite of the difficulties of the system the Conference should point out the necessity of establishing it. Yesterday afternoon, in the Committee on Commerce, M. Serruys said that all trade barriers should be done away with, but with certain reservations as to national sovereignty. I feel, however, that we

should take into even greater consideration the sovereignty of Europe as a whole in economic matters. Again, M. Loucheur referred yesterday to the political security which would first have to be established before it would be possible to arrive at a solution of the economic crisis. I consider, however, that political stability and security depend to a very marked degree on the economic situation. At the present stage of development, economic problems are coming more and more to the fore, and are becoming more and more important. A man passing through Germany fifty years ago had to cross about fifty different customs frontiers. But then came the locomotive and later the telephone, and finally wireless, to which, in some countries, there has been opposition. Other countries, however, have adopted it, and by their insight have helped to facilitate modern development. Nowadays American bankers send orders within half an hour to Paris or to Berlin markets. When we consider that it is now possible to make oil out of coal, and by studying fibres to make artificial silk and so forth, we must admit that the development of inventions will go further and further. We must, then, do away with trade barriers and all other existing hindrances to the free circulation of goods if we wish to attain that economic prosperity which we all have so much at heart.

INTERDEPENDENCE OF AGRICULTURE, INDUSTRY AND TRADE

JULES GAUTIER (Président de la Confédération Nationale
des Associations Agricoles).

"THE opinion of the world is beginning to understand that prosperity is not something which can be enjoyed in small compartments."¹ It is necessary that one should subscribe, even to the smallest detail, to this formula, which sums up the work of the International Economic Conference at Geneva. In fact, one general conclusion dominates all the particular resolutions in which are condensed the decisions of the Conference, that is the realisation of the interdependence of all forms of activity in the world of economics and the interdependence of all nations in the organisation of production and consumption the whole world over. Indeed, it cannot be doubted, and all who have studied economic problems were already convinced of it. But it is very necessary to recognise that if, up to the time of the meeting of the Economic Conference at Geneva, the interdependence of industry and commerce has not been questioned, the agricultural side of man's activity has not been reckoned as an essential factor in the economic question. Or rather, it was agreed that agriculture had the original and indefeasible task of feeding mankind, and it was imagined that it would always fulfil this task without questioning its conditions of existence. It was thought useless to gauge exactly the part it played, either in prosperity or in industrial and commercial evils. From all which it naturally followed that in economic discussions it was assigned the minor rôle of a poor relation, who was allowed with indulgent condescension to sit below the salt and to have a place which called for no attention.

¹ *International Economic Conference at Geneva—Final Report*, p. 163.

The International Economic Conference at Geneva marked the end of this prescribed summing up. Agriculture was invited to take part in discussions with Commerce and Industry; moreover, its evidence was treated with respect: it was given intimate, almost loving, confidences; its representatives were listened to with consideration; its resolutions were voted on and its statement, which formed the introduction to its resolutions, was accepted without discussion.

That was the new feature which was manifested at Geneva at the end of May. The International Economic Conference was, if I may say so, complete. Human activity was considered in its entirety; the needs of mankind were investigated in all their ramifications; nothing was left in the background. From now onwards it will be essential to consider agriculture. The whole world should be congratulated on this result; first of all agriculturists, and with them the rest of mankind. All human movements are, therefore, intimately linked up.

It is not necessary to stress the importance of this fact. It must be said, however, that it acquires some of its value from the circumstance that Agriculture was represented at the Conference at Geneva, not only by officials of recognised bodies, but also by delegates of private agricultural associations. Alongside of the representatives of the International Institute of Agriculture in Rome sat the President of the International Commission of Agriculture. Certain countries (France, Poland, Czechoslovakia, and others) sent as their delegates, members of Agricultural Associations of their countries. Doubtless it has been said, and will be said again, that the delegates were there in a private capacity and not as representatives of their Governments. This is not exactly true; for every delegation—however it was constructed—while attending with the gravest sincerity to all matters of general interest, at the same time considered with patriotic care the reflection of subjects of general significance on subjects of national interest. The confidence that certain countries placed in their Agricultural Associ-

ations was highly characteristic. But without exaggeration, the fact that resolutions were drawn up and adopted by representatives of entirely private bodies is of special significance and is a guarantee of the useful results which will be the outcome of the Conference. "Agriculture is the occupation of the majority of workers throughout the world; its various products represent in value the greater part of human labour, and the exchange of its products against industrial products, forms, indeed, the basis of world trade."

"The agricultural population remains for humanity a reservoir of energy capable of preserving the nations from the rapid wastage which may result from any excessive growth of industry."

"The quantity of foodstuffs and raw materials produced by agriculture is one of the factors which determine the maximum limit of industrial development."

"The interdependence existing between nations is no less close between the main classes of occupations—agriculture, industry and commerce—and it would be vain to hope that one class could enjoy lasting prosperity independently of the others."

Nothing but good can come of the adoption of these agricultural resolutions. In all countries, since the end of the Great War, the development of agricultural associations has been forcibly evident. Everywhere are to be found groups and organisations, national and international. Parallel movements, the strength of which might have been dissipated by division, have been united and thereby strengthened. Business groups have been created in the agricultural category, some of the existing groups being of the greatest importance. They are all becoming powerful. They clamour for the right to co-operate with commerce and industry. They force themselves on the notice of Governments. One must reckon with them. They are, without any doubt, an important innovation. They have been able to take by surprise and to thwart several combinations, which thought themselves secure and privileged.

This is only a first impression. The fact that the isolated individual can do little and that only organised bodies have the power to make themselves obeyed is in itself a necessary result of the war. If there should be friction, soothing oil must be found to pour over it. Besides there is room for everybody. But what must be recorded is that the League of Nations has thoroughly understood how to introduce cohesion among powerful private agricultural associations. Once more there will be a world of harmony. The service that has thus been rendered to the economic world cannot be too highly rated.

The strength of agricultural association, therefore, is indicated by the position occupied by agriculture at the Conference at Geneva. But one general fact was brought home to its representatives. The question of the high cost of living deeply complicated the economic problem. It could not be solved, in so far that it was impossible to determine the exact place, the part, the conditions of life and the work of agriculture in the structure of production. To treat of the world's economic conditions except in the presence of agriculturists, and without their consent would have been stupid. Agriculturists were invited to Geneva because they could not be dispensed with.

The resolutions of the Agricultural Section of the International Economic Conference left undiscussed none of the questions which are directly or indirectly of interest to agriculture. In the first place the delegates laid down principles or rather developed and made stable those which are written in the preface to their resolutions. Agriculture can only prosper if its situation is equivalent to that in which industry and commerce are placed. It is necessary that Industry and Commerce should be in a position to consume largely and frequently agricultural products. But Industry and Commerce can only survive and develop if Agriculture has the power to absorb manufactured goods and thus provide an outlet for industrial and commercial activity. In order that this should happen, it is essential that the agri-

culturist should receive, like the manufacturer and the trader, a fair remuneration for his work, the repayment of his expenses and a normal profit. It is necessary, therefore, to abandon the idea of basing the price of food products solely on the desire of the consumer to pay as little as possible for his food without inquiring as to what is the cost of production. The agriculturist must strive to lessen the cost price by producing large quantities. If only he can be sure of finding a large home and foreign market, which will reimburse him the necessary expenses of his business—to a price in keeping with what he receives himself for the product he sells.

This problem, the factors of which seem so simple but which is complicated very largely by general ignorance of agricultural matters, admits of a series of co-ordinate solutions. The first thing is to obtain the effect of the action of the agriculturist on his business. One does not mean by this business consciousness, as might be imagined, but the great improvement in production brought about by machinery, manure, seeds, methods of cultivation, all of which depend on education and instruction. But it is necessary to understand manual labour, which even simplified, is an essential element in agriculture and often incapable of reduction. Now manual labour is only possible in agriculture so long as it is well paid and so long as the high wages offered in industry do not draw it away from the fields; and we come back to the same difficulty which must be solved. It is necessary, too, alongside of proper methods of cultivation, ready money for purchasing land and livestock, expenses of rotation and renewal while waiting for the sale of the harvest and cattle, to set lack of selling, inclement weather, bad harvests, disease and obscure illnesses. Again, it is essential to have an organisation of buying and selling, and the assurance that harvests will sell easily and at a good price. And this is not the complete case for this complex problem, only an imperfect survey of all which has been said, all which can be said and all which I have not the time to say.

Let us imagine then that all these questions are settled which appertain to agriculture. It remains then to study all which does not directly depend on it; first the price at which the agriculturist buys and which tends, whatever may be said, to create and maintain the high cost of living—in other words, all which is produced and sold and with which the agriculturist cannot dispense on pain of being forced into idleness.

Here at the outset we enter straightway the dangerous ground of customs tariffs. If industry, by securing a heavier protection than is really necessary, finds the means of raising wages and prices, the agriculturist will pay excessively for manufactured goods and will see his manual labour disappearing. He will find it impossible to produce cheaply and in large quantities. He will no longer buy, and industry will no longer purchase his produce. Production will cease. The evil will be doubled and increased tenfold, perhaps become irreparable, if as a safeguard manufactured goods become highly protected and agricultural goods are protected only slightly or not at all. If, in addition, the agriculturist is hindered by prohibitive duties or by export duties from extending his market outside the frontiers by exporting his superfluous produce, if he is prevented, that is to say, from seeking a higher and perfectly legitimate profit, as a way to increase his means of production, to keep his capital fluid, to give him encouragement in his work, and to enable him to share in the prosperity to which he has a right like everyone else, then his case is desperate indeed.

From this it can be concluded that it is necessary to facilitate exchange, and to lower customs with circumspection in order to safeguard the very life of national industry. Let us add good, rapid transport, with charges reduced to a practical minimum to suit the needs of agricultural produce. Even so we must remember that State taxation is at present overwhelming, that the duties on the sale of land and on inheritance are equivalent to a plundering of the landowners by the State, and that life is carried

on with an unstable currency and with the expectation of calamitous changes. Moreover the agriculturist bears these burdens with others far higher than those which fall on the manufacturer; for he is, in spite of himself, the voluntary slave of sun and of rain, without counting anything else. Let us add, finally, that if economic laws do not secure to the agriculturist that insurance against illness, accident, old age and death which they properly grant to industry, the desertion of the fields will increase, and be encouraged. We see how many circumstances have a depressing influence on agricultural production, the final result being that, by reducing the purchasing power of the agriculturist, an irresistible reflex movement operates on industrial production and ends in the enforced idleness and misery of thousands of factory workers.

¶ In their impressive and comprehensive survey the Agricultural Commission at the International Economic Conference at Geneva presented a picture of the repercussions of agriculture on industry and of the dependence that one has on the other. We may say that up to this time this statement had never before been made with such solemn and telling force.

¶ Quite properly, too, the agricultural delegates set about investigating the influence of co-operation and credit on agricultural development and the forces which they called into operation. Let us put it concisely: co-operation in matters of production and in the sale of agricultural produce appears to us to be the surest way of contending with the high price of foodstuffs. Is it not self-evident that the grouping of merchandise into large masses allows the assurance of supplying markets and of distributing the produce, not haphazardly, but according to demand? From that should follow an almost automatic regularisation of prices which is not of less interest to the producer than to the consumer—the fixed price. For the producer this is a means of circumventing the machinations of numerous middlemen, who without exception add a profit for themselves to the produce, which operates as a detriment to

the producer and as a burden on the consumer. It may be taken as proved, then, that co-operation in production and co-operation in consumption are highly desirable and advantages. It remains to organise such co-operation. This has up to now been done only partially, but it could certainly be made general a constant connection between co-operation in production and co-operation in consumption on a mutual basis. The Economic Conference only indicated this idea; for, not having power to create, it could merely make a rational inventory of points at issue. But in the discussion which followed in a sub-committee this concord between the needs of producers and those of consumers, and the economic and business equilibrium that would be the result of it, was considered with the gravity which it deserved. The remarkable development of co-operation in all countries is proof enough that this form of productive and commercial activity only needs encouragement. In another sphere, that of industrial associations, which were treated at length by the Industrial Commission of the Conference, agriculturists, through M. Garcin, the French expert, demanded the right to examine how and to what extent they ought to be expected to maintain an ultimate participation in groups which, without doubt, will have a leading influence on production, on currency, on wages and, if they function satisfactorily, on the general welfare. On this point, it is of the utmost importance that the attention of agriculturists should be concentrated. International rationalism, which may be the result of it, will take a form by which either profits or burdens may be obtained; and agriculturists have no need of extra burdens.

On the question of credit the Conference was also very discreet. It admitted that the organisation of agricultural credit in national schemes must henceforth be regarded as an institution with which it is impossible to dispense, that mutual credit must be on the same basis in all institutions of credit, and that the help of the State in most cases must be conceived as very beneficial and sometimes indispensable. But it declared that the creation of one or several institutions

of international agricultural credit presents difficulties which it would be childish to conceal. In the financial confusion in which Europe is struggling, and which touches acutely States born yesterday—and precisely those which have the greatest need of agricultural assistance—the opening of a reasonable and powerful international credit depends, in the opinion of the delegates, on conditions and guarantees with which a high moral power like that of the League of Nations is alone capable of dealing. I am told that one inquiry on the subject has been initiated by the International Institute of Agriculture in Rome. It is to be hoped that this inquiry will be exact, precise, wise and a refuge from illusions and deception. It is the only way of obtaining an obviously desirable solution. When one reflects on the agricultural crisis which is the unavoidable result of agrarian reform in certain countries—which has been and will be extremely productive—one ardently wishes that agriculture could find the credit which it so badly needs. But all hasty and premature action will risk the destruction of any hope of satisfying the need. Europe should abstain from any cause of contention.

The account I have given only affords a pale reflection of the agricultural discussions at Geneva. It will perhaps serve to furnish some slight idea of their scope. As I have already said, what appeared plainly and what fundamentally remains, is the bond between the three main lines of human economic activity, the interdependence of all work done in the world in order to increase the facilities of life.

It is for peace that we are working. All who look beyond the immediate horizon and who try to pierce the mist in which Europe is enveloped are convinced that the system of water-tight compartments that has arisen from the war, and around which unenlightened nationalism or private interests remain fiercely on guard, cannot last if peace is to be securely established in the world. Political antagonism, indeed, or race hostility are responsible for many of the aftermaths of the war. If one looks at it closely one sees that, in a great number of cases, they are accentuated by

imperialist-economic reasons, by the sheer necessities of existence or by the expansion which no one can resist. The more we examine the unhappy convalescence which follows on a formidable pathological crisis, the more we are confronted by economic needs which seek for stability, and which, if we cannot guarantee them that stability, will before long involve the whole of Europe in ruin. The International Economic Conference at Geneva is an endeavour to afford that stability. It is what we all are seeking to do; and M. Jean Jouhaux, who was the first to conceive the idea, M. Louis Loucheur, who first obtained the concrete realisation from the League of Nations, and M. Theunis, who presided at this Assembly, all have collaborated in this endeavour. Among the most eminent of these *collaborateurs*, if I may be allowed to say so, were the representatives of the agricultural workers who, of all workers, are those who at all times have suffered, and will always suffer, the most cruelly in all wars. We have been at Geneva in good faith; we have worked with all our might; as M. Theunis has said we know that order will not be re-established by magic. But, like him, we are happy to have united our strength with that of friends, akin to us in heart, enthusiasm and ideals. Agriculture has shown at Geneva what it is, what it wants, and what it could be. It will persevere.

CAPITAL AND LABOUR IN INDUSTRY

BARBARA WOOTTON, M.A., J.P. (Director of Studies for Tutorial Classes in the University of London).

THERE was plenty of Capital at the Conference, but comparatively little Labour. Indeed, numerically, the relations inside the Conference hall were nearly the inverse of those in the industrial world outside. The constitution of the Conference certainly made this inevitable. So long as there was no provision for the representation of organised Labour as such, only those Governments in whose countries the workers' organisations had more than average strength would be likely to include a Labour representative in their delegations; whereas nearly all would be likely to send one or more representatives whose acquaintance with economic affairs had been gained chiefly in practical experience as possessors, or as representatives of the possessors, of important industrial enterprises. In consequence there were probably not more than a score among the delegates who were intimately associated with the activities of organised wage-earners in their own countries.

This constitution was necessarily reflected in the attitude of the Conference and its approach to the matters which composed its agenda. It meant that the Conference had, on occasion, to make a definite effort of the imagination to keep in mind facts which are part of the everyday experience of wage-earning people; and that, if that effort were not successfully made, the Conference would lack a true sense of proportion. This does not mean that the Conference was necessarily "biased" or even "class conscious." It means simply that a certain amount of additional effort was required. It is possible for a group of men to be even more acutely conscious of the importance of facts outside the range of their immediate experience than are the very people who have personally experienced those facts. But this con-

sciousness must be, so to say, consciously acquired, by a definite effort. History also seems to suggest that it is normally more difficult for a rich man to imagine the experience of a poor man than *vice-versâ*. It was usually this, the more difficult, effort that the Conference had to make.

The delegates had in fact to remember that the world is mainly composed of persons whose economic position is extremely unlike their own; and that it is the prosperity of these persons which is the ultimate test of the prosperity of any nation. They did often remember this, as, for instance, in regard to unemployment. The existence of a European army alone of something like ten million unemployed and dependents of unemployed was widely recognised to be one of the chief reasons, if not the chief one, why the Conference had ever been called at all. But other facts were not always so well remembered, and there appeared sometimes a tendency to lose sight of the end in the difficult search for the means. The level of wages, for instance, was treated almost without exception as though it were exclusively a means towards a further end—and this alike by those who regarded high wages, and by those who regarded low wages, as the road to prosperity. Certainly the means by which prosperity may be attained are not independent of the level of wages if prosperity includes both the economic well-being of those who are not wage-earners, and full employment for those who are. But wages are at least as important as an end as they are as a means. Economic welfare does not consist in the mere absence of unemployment, irrespective of the wages at which people are employed.

On the other hand, the fact that the Conference was not constituted on any basis explicitly corresponding to the division of Capital and Labour in industry had its advantages. This alone made it possible for the Conference to be a Conference and not a negotiation. Had the constitution of the Conference followed the lines of the division of industry into the two parties of owners and workers, there would have been a very powerful tendency to resolve all questions into

terms of the relation between these parties, to the exclusion of the often no less difficult problems of other relationships, such as those between different nations, or between persons interested, in any capacity, in different industries. As it was, there appeared to be a general desire to avoid raising the acutely controversial issues of the relations of workers and employers. Avoidance of controversy is not, indeed, necessarily a good thing. It may be merely an expression of cowardice, and it frequently results (as, it may be argued, happened on occasion at the Conference) in a lack of that realism which is necessary to make discussion fruitful. But it is often the better part to avoid controversy in circumstances where the alternative is likely to be controversy and nothing further. An economic conference constituted upon explicit recognition of the divergence of interest between owners and workers, and having a wide general agenda, would have run a grave risk of never getting beyond controversy; and the controversy would not even have had the merit of novelty.

Further, even apart from the nature of its composition, the Conference had necessarily to confine itself in industrial matters to statements of a quite general character. There were two reasons for this. In the first place, in so far as industrial relations are possible subjects for legislation they fall within the purview of the International Labour Conferences. It would have been improper for the Economic Conference to meddle with these matters when there is a permanent international organisation in existence to deal with them. In the second place, a great many of the more important questions affecting the relations of owners and workers are quite outside the possibility of legislation altogether. They must be decided by the people who conduct industry: and Governments (outside Russia) do not at present ordinarily conduct industry on any large scale.

In this respect the industrial were in marked contrast to the commercial issues before the Conference. The latter were in the main matters with which Governments and Governments alone can deal. It is Governments which

make tariffs, which impose regulations upon the movement of goods, and which pay or withhold subsidies. The resolutions, therefore, which the Conference adopted on these matters could be directly addressed to a single authority in every country competent, if it so desired, to carry them out: and these resolutions could therefore be framed in a comparatively precise and definite form.

But with industrial questions it is altogether otherwise. Consider, for example, the problems that arise from every change in industrial technique. Every such decision affects the interests of those who expect to reap profit from the change and of all who are in any way concerned in the old methods that are superseded. But it is quite impossible to make laws about the extent to which, and the means by which, these various interests are to be taken into consideration when changes are proposed. For, in the first place, in such matters every case differs in important points from every other case. It would be impracticable to make any rules sufficiently definite to be enacted in a statute. And in the second place, changes in industrial methods are made by the captain of industry or his subordinate, not imposed on him by his Government from without. But the captain of industry is a law unto himself (and sometimes to other people as well) and is responsible to no man for the things which he makes or the way in which he makes them, except within the (necessarily very wide) limits set by legislation designed to protect his employees or the consumers of his goods. You cannot compel a captain of industry to make soap if he thinks it more profitable to make cheese, and you cannot compel him to instal a new machine if he likes an old one better. You cannot even compel him to be efficient. Consequently, even if all the industrial questions intimately touching the relations of owners and workers could be codified, there would not exist any authority capable of enforcing the code in countries where private enterprise or capitalism is the ordinary type of industry. It is of the essence of capitalism that the capitalist, or owner, should decide these questions for himself, or in the

person of his deputy. Otherwise he ceases to own, and "his" business ceases to be "his." Even the strong organisations of capitalists which exist in certain countries have, of course, no coercive authority over their members.

The approach of the Conference, therefore, to industrial matters was inevitably quite different from its approach to questions regarding which it could hope to address definite recommendations to Governments capable of carrying them out. It does not, however, follow that nothing valuable could be achieved in these matters. Every industrialist who makes a decision makes it under the influence of some general principles, be he never so much the "practical" man (the difference between the practical man and the theorist is usually only that the latter is more conscious of his principles). Progress is dependent both upon the discovery of the principles that are most conducive to the welfare of society, and upon securing for these the widest possible recognition, especially among those whose actions these principles may influence.

It was here that the Conference could deal advantageously with the problems of the mutual relations of owners and workers. It could give the seal of its authority to certain broad general principles of which the world is still much afraid. New ideas are always unpopular; but the Conference, whose report will be quoted up and down many countries, could do a good deal to rob ideas of their novelty. And if this should appear to be but multiplying vain repetitions, it should be remembered that in social affairs a multitude of vain repetitions is a most powerful instrument of progress: for the vanity diminishes with the multiplication.

The sections of the Conference report dealing with the rationalisation of industry and with international industrial agreements lay down some such general principles. It is, for instance, claimed that, judiciously applied, rationalisation is calculated to secure "to the community greater stability and a higher standard in the conditions of life; to the various classes of producers higher and steadier remuneration to be equitably distributed among them."

But we are reminded that the process must be applied with care in order not to injure the "legitimate interests of the workers"; that "suitable measures should be provided for cases where during the first stage of its realisation it may result in loss of employment or more arduous work"; and that it requires, "so far as regards the organisation of labour in the strict sense of the term, the co-operation of employees, and the assistance of trade and industrial organisations and of scientific and technical experts."

The report also contains a very pleasant-sounding clause which declares that endeavours should be made "to give special attention to measures of a kind calculated to ensure to the individual the best, the healthiest and the most worthy employment, such as vocational selection, guidance and training, the due allotment of time between work and leisure, methods of remuneration giving the worker a fair share in the increase of output, and, generally, conditions of work and life favourable to the development and preservation of his personality."

Similarly, it appears to the Conference "entirely necessary" that industrial agreements should give "due consideration to the interests of the workers."

No one, probably, would to-day explicitly deny the validity of these principles, or question the extent to which they limit the owner's rights in the interests of those of the worker. But principles can be implicitly as well as explicitly denied, and it is beyond doubt that the practice of all industries in some countries, and of some industries in all countries, very effectively gives the lie to these principles. The process of rationalisation is frequently applied without reference to the "legitimate interests of workers"; in many instances no measures suitable or unsuitable are taken to provide for cases where it involves "unemployment or more arduous work," and the success of its application is often obstructed by the fact that "the co-operation of employees, trade and industrial organisations" is not sought.

The force of class prejudices extends far more widely than do express doctrines of class consciousness. Indeed, it

might almost be said paradoxically that class consciousness is strongest where it is unconscious. Certainly it is still absolutely true that many of those who are interested in industry chiefly as owners or directors have never really apprehended the fact that wage-earners have personalities as capable of "development and preservation" as their own. It is good that such unimaginative persons should be constantly reminded of the inaccuracy of their vision of the social and industrial world, and the Conference gave them an admirable reminder.

The pronouncements of the Conference reflect, in fact, a certain stage of progress. On the one hand they are certainly a marked advance upon anything that could have been laid down twenty or thirty years ago. Although it might at any time have been difficult to withhold assent to such principles as those quoted above, when once formulated, it is only comparatively recently that it would have occurred to anyone to formulate them at such a Conference. The habit of giving express recognition to the rights of the workers is growing; and this, as already suggested, is an important step on the way to giving practical recognition to them also. On the other hand, where this recognition is given there is evidence of its comparative novelty in the slightly naïve form in which it usually appears. Reference is made to the *legitimate* interests of the workers; the interests of the workers must receive *due* consideration. The significance of these familiar turns of phrase immediately appears if we imagine them translated to another sphere. Nobody ever qualifies reference to the interests of owners with the adjective "legitimate"; and this is not, as might be supposed, because owners have no legitimate interests but because their legitimacy is taken for granted. It is not a new discovery about which we are still a little self-conscious. In fact the presumptions are reversed in the two cases. It is presumed that the interest of an owner in industry is legitimate unless the contrary is expressly stated; it is presumed that only those interests

of the worker are legitimate which are explicitly labelled as such.

As regards the future, it is possible that this stage will be followed by another in which a more stable and a more equal division of the spheres of interest between worker and owner in industry will win general acceptance; in which it will be just as necessary for the owner to establish the legitimacy of his interests as it is now for the worker. But the problem of industrial relationships cannot be solved in isolation. These relationships are determined by some of the most fundamental institutions of society, even though their connection with these is not always realised. Indeed, the very title which heads this chapter, and the widely accepted conception, with which it is associated, of industry as built up on the co-operation of two parties, itself obscures differences between the position of those parties which are fundamental in character.

In the strict sense of the words there is no problem of Capital and Labour at all. Labourers are only too anxious to utilise the tools properly described as capital as aids in the business of production. The personification of Labour and Capital inevitably suggests, what is not indeed the case, that the relation of the labourer to his labour is comparable with the relation of the capitalist to his capital; that the expression "Capital and Labour" is, in fact, genuinely symmetrical. This confusion has been responsible for a lamentable amount of muddled thinking, and it must be added, of false hopes. The relation of a labourer to his labour is, of course, an indissoluble physical relation: the relation of a capitalist to his capital is a legal relation between a man and an object external to himself, which is based on the law of property and limited by the limits of that law. Even within those limits it is, as many capitalists in all countries know to their regret, a relation that can readily be dissolved. Property changes hands: personal activity does not.

So long as the worker was also normally the owner of the capital which he used, the difference between these two

relationships had no practical importance; though it has, of course, always existed in theory. But now that this is no longer the case the difference is all-important. For it is impossible to make any quantitative comparison between the worker who does something and the capitalist who owns something. It follows that there is no basis of common consent upon which to found a stable relation between owners and workers so far as concerns either of the two chief problems of their relationship—that of the division of the proceeds of industry and that of their respective spheres of “control.” It is difficult enough to measure the contribution of the worker who does one thing against that of the worker who does another thing. It is quite impossible to compare such unlike terms as owning and doing. The Economic Conference may applaud improvements which provide the “various classes of producers” with greater remuneration “to be equitably distributed among them”; but it cannot indicate what kind of distribution is equitable as between “producers” who are personally active and proprietors who own instruments that are used by other people.¹

In practice, to command wide acceptance a system of distribution must not differ too markedly from that which in fact exists. This fact is the only principle to which arbitrators on wage questions can refer. But the equity of this principle is, of course, vigorously challenged in certain quarters; and a situation which is stable only because it is the *status quo* enjoys a very precarious stability. In this lack of any common standard by which owning may be compared with doing, lies, it may be added, the fundamental reason why the arguments in favour of settling individual disputes by recourse to an authoritative court of law are not also decisive in favour of the settlement of industrial disputes by compulsory arbitration. It is possible

¹ This statement is compatible with acceptance of the “marginal net product” theory of distribution, familiar to economists. Accurately expressed, that theory does not identify the capitalist with his capital, and is equally applicable to present society, to a world of working capitalists, or to a socialist community in which all capital is collective property.

to find acceptable principles determining the limits of a man's right to annoy his neighbour by keeping vociferous fowls in his garden; but it is not possible to agree upon rational principles governing the division of the proceeds of industry between owners and workers.

The problem of industrial "control" presents even greater difficulties. The possibility of schemes of "joint control" between "Capital and Labour" have attracted a good deal of attention as offering something more stable than the present relation. It must, however, be remembered that ownership means nothing unless it means control. To control industry is to have the right to decide what is to be done with things, which things belong to somebody. But the only person who has any legal right to decide what is to be done with anything is the person who owns that thing, or anyone else to whom that person has delegated some or all of his rights of ownership. The law of property simply does not recognise a right of control based upon personal activity instead of upon ownership. Again, therefore, there is no rational basis upon which a stable allocation of the spheres of control of owner and worker can be founded. If the owner is the owner he has the right of control, and there is no more to be said. People who are not owners can only be admitted by the owner's courtesy to share his right. If the result is unsatisfactory the solution must be either to redistribute ownership (e.g., so that owning is again ordinarily combined with working) or to change the nature of the rights which ownership implies.

The purpose of these reflections is not to suggest that the problem of industrial relationships is insoluble or that industry must be the scene of perpetual strife. It is rather to indicate the close connection of these problems with such fundamental institutions as the law of property. These institutions are the limiting factors, and any solution which attempts to ignore them cannot be stable, even though unstable equilibrium may be maintained with remarkable success for quite long periods. It is often useful to recall the simple truth that in the long run one must either modify an institution or abide by it.

APPENDICES

- I. AGENDA OF THE WORLD ECONOMIC CONFERENCE
- II. FINAL REPORT OF THE CONFERENCE
- III. REPORT OF THE CONFERENCE AT THE COUNCIL OF THE LEAGUE OF NATIONS ON JUNE 1ST, 1927
- IV. REPORT ON THE CONFERENCE AND RESOLUTIONS PASSED BY THE EIGHTH ASSEMBLY OF THE LEAGUE OF NATIONS
- V. LIST OF DOCUMENTS PRESENTED TO THE CONFERENCE BY THE PREPARATORY COMMITTEE

I. AGENDA OF THE CONFERENCE

FIRST PART

THE WORLD ECONOMIC POSITION

Principle features and problems as seen from the point of view of different countries.

Analysis of economic causes of the present disturbed equilibrium in commerce and industry.

Economic tendencies capable of affecting the peace of the world.

SECOND PART :

I. COMMERCE

1. Liberty of trading :
 - (a) Import and export prohibitions and restrictions.
 - (b) Limitation, regulation or monopolisation of trade.
 - (c) Economic and fiscal treatment of nationals and companies of one country admitted to settle in the territory of another.
2. Customs tariffs and commercial treaties.
Obstacles to international trade arising from :
 - (a) Form, level and instability of import and export tariffs.
 - (b) Customs nomenclature and classification.
3. Indirect methods of protecting national commerce and shipping.
 - (a) Subsidies, direct or indirect.
 - (b) Dumping, and anti-dumping legislation.
 - (c) Discrimination arising from the conditions of transport.
 - (d) Fiscal measures discriminating against foreign imported goods.
4. Repercussion upon international commerce of reduced purchasing power.

II. INDUSTRY.

1. Situation of principal industries (productive capacity, output, consumption, and employment).
2. Nature of present difficulties in industry ; their industrial, commercial and monetary causes.
3. Possibilities of action :
 - (a) Organisation of production, including, in particular, international industrial agreements, considered from the point of view of production, of the consumer and of labour ; their legal position ; their connection with Customs problems.
 - (b) Importance of collection and prompt exchange of statistical information with regard to industrial production.

III. AGRICULTURE.

1. The present position of agriculture compared with pre-war conditions in respect of production, consumption, stocks, prices and free circulation of agricultural products.
2. Causes of present difficulties.
3. Possibilities of international action :
 - (a) Development of, and international collaboration between, producers' and consumers' organisations, including the different systems of co-operative organisation.
 - (b) Continuous exchange of all relevant information concerning agricultural conditions, scientific and technical research, agricultural credit, etc.
 - (c) Development of the purchasing power of agricultural producers.

II. REPORT OF THE CONFERENCE

adopted on May 23rd, 1927.¹

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|------------------------|----------------|
| 1. INTRODUCTION | 3. INDUSTRY |
| 2. COMMERCE | 4. AGRICULTURE |
| 5. GENERAL RESOLUTIONS | |

I. INTRODUCTION

1. In its resolution of September 24th, 1925, relating to the summoning of an World Economic Conference, the Assembly of the League of Nations declared itself "firmly resolved to seek all possible means of establishing peace throughout the world" and affirmed its conviction that "economic peace will largely contribute to security among the nations." It further emphasised the "necessity of investigating the economic difficulties which stand in the way of the revival of general prosperity and of ascertaining the best means of overcoming these difficulties and of preventing disputes."

The Economic Conference has constantly kept these general directions in view. At the end of nearly nine years after the war, during which the disturbances resulting from that unprecedented catastrophe have had time to reveal their permanent effects, the Conference has used its best

¹ The report, with the resolutions, was adopted unanimously by the members of the Conference except for the abstention of the members of the U.S.S.R. delegation (who, however, declared themselves in favour of certain resolutions indicated in the Annex to Section 5—General Resolutions) and of the members of the Turkish delegation.

endeavours to discover and analyse the fundamental causes of the troubles from which the world is at present suffering, and to find remedies which, if they will not effect a complete cure, will at least afford some of the relief for which the civilised world is so insistently calling.

THE ECONOMIC SITUATION

2. The documentation prepared by the Secretariat under the direction of the Preparatory Committee, to which many commercial and industrial organisations in various countries and many individual experts have contributed, presents a picture of the economic condition of the world with a fullness and authority which has probably never hitherto been attained. It is only possible to refer in the briefest way to the result shown in these reports.

A general impression of the change which has taken place since the war can be gathered from the statistics which have been compiled of the world's production of foodstuffs and raw materials. The figures show that, whereas in 1925 the world's population was about 5 per cent greater than in 1913, production of foodstuffs¹ and of raw materials was from 16 to 18 per cent greater. In other words, production and consumption, both in total and per head of the world's population, are greater than before the war.

This increased production of food and raw materials² has, however, not been accompanied by a corresponding increase of international commerce, for the volume of trade in 1925 was only 5 per cent higher than before the war.

3. But these statistics relate to the world as a whole. They do not represent the position of each continent. While certain parts of the world have progressed considerably more than these average figures indicate, there are other continents, notably Europe, which are far behind. The production of Europe, whose population has increased by 1 per cent, was in 1925 about 5 per cent greater than in 1913, an increase materially slower than in pre-war years, while its international trade was only 89 per cent of the pre-war volume. Further illustration of the fact that the economic difficulties are most acute in Europe is to be found in the volumes on special industries. Its most distressing symptom is the abnormal degree of unemployment which still obtains in certain countries, while its financial reactions are shown in the burdensome taxation and inadequate savings of Europe.

4. It would, however, be a mistake to assume that the economic condition of Europe could be so seriously disorganised without affecting that of the rest of the world. Other countries certainly feel the effects

¹ Excluding China.

² The production of finished commodities must have increased faster than these figures, since technical progress largely consists of the more complete and more economical use of raw material.

of Europe's reduced consuming power. There also is no doubt that the world is affected by the fact that Europe has been compelled for the time being to renounce several of the functions in world economy which had previously been hers.

5. But neither in Europe nor in the rest of the world is the economic position uniformly good or bad. On the contrary, the depression is clearly concentrated in certain main trades. Some of these, such as the iron and steel industry, shipbuilding, and the chemical trades, were artificially expanded to meet war needs. Demand has, however, been restricted by the fact that lack of capital resulting from diminished savings has prevented economic development on the same scale as before the war. The iron and steel industry, which is largely concerned with providing fixed capital in various forms, is particularly affected by this fact. Other industries, of which the cotton industry is a notable example, have had to adapt themselves to a very considerable increase in productive capacity in distant countries. Others, again, like the coal trade—the demand for whose product has been considerably checked by alternative sources of power and by economies in the use of fuel—have suffered, while the petroleum and electric power industries have prospered. But perhaps the most extreme example of dislocation is that of shipping, for, whereas the world's total mercantile tonnage has increased by 38 per cent, the volume of goods to be carried by sea has hardly increased at all. The condition of these trades is in sharp contrast to that of many industries providing articles of immediate consumption or even of luxury. The production of motor-cars, artificial silk, and rubber goods may be taken as examples.

But though the harmful effects of the war have been concentrated on a few special trades, the depression has inevitably limited the expansion that would have taken place in other directions, for by creating complete or partial unemployment it has diminished the purchasing power of a large industrial population.

6. Moreover, the troubles of industry have an even wider repercussion, since they affect in a similar way the whole of the world's agriculture. Agriculture, which is daily becoming more industrial in its processes and methods, suffers directly from the fact that the prices of industrial products in certain countries have for some years remained relatively high, while those of agricultural products have been on a comparatively lower level. The agriculturist complains that he buys the manufactures which he needs at high prices, but sells at low prices the products of the soil. The documentation of the Conference indicates that, if agricultural prices are low and the agricultural community in many countries in a state of depression, it is not because there has been any abnormal increase in the production of foodstuffs but because the demand from certain manufacturing communities in Europe is inadequate.

7. Thus, while the documentation of the Conference serves on the one hand to pick out the darkest spots in the present situation, it also empha-

sises on the other the interdependence of nations, of industries and of classes. During the great war, the nations were driven temporarily to live to a quite abnormal extent on their own resources, but this condition of self-sufficiency—incomplete though it was—was only attained at the cost of hardships which tended rapidly to become almost intolerable. The attempts after the war to seek prosperity by a policy of economic isolation have, after an experience of nearly nine years, proved a failure. The opinion of the world is beginning to understand that prosperity is not something which can be enjoyed in small compartments.

POST-WAR PROBLEMS

8. Immediately after the war, many people naturally assumed that the war and the war alone was the reason for the dislocation that emerged in the economic relations of individuals, of nations and of continents. A simple return to pre-war conditions seemed in the circumstances the appropriate objective of economic policy which would be sufficient to cure the current difficulties. It is an instinctive tendency of mankind to turn to the past rather than to the future and, even at a moment when an old order is being displaced by a new, to revert to former ideas and to attempt to restore the traditional state of affairs. Experience has shown however, that the problems left by the war cannot be solved in so simple a manner.

At first, this desire to return to the pre-war regime was a wise as well as a natural instinct; for the first and most urgent task after the war was to re-start the economic life of the world which had been so sharply interrupted. Economic policy had, therefore, to deal with the temporary consequences of the war and endeavour to remove the obstructions to production and trade which it left behind.

9. One of the most widespread and far-reaching of these difficulties was the disorganisation of public finances and the depreciation of currencies. At the time of the Brussels Conference, only four European countries had succeeded in balancing their budgets. Now, nearly every country has established its budgetary equilibrium.

If this indispensable first stage of financial reconstruction is not yet quite complete, and if it would be too much to say that in each individual country financial stability is assured, it is at least true that, in general, a disorganised condition of public finances and fluctuations in the various currencies in relation to each other are not at the present moment a factor of primary importance in depressing trade and production.

10. Another difficulty which has played a great part in recent years has been the shortage of capital. The low level of production that followed the war left in Europe, at all events, no margin for saving. This situation has gradually changed. The recovery of production in Europe, together with a growing sense of security, has revived the process of saving and stimulated the international movement of capital. These developments have restored a more normal—though still inadequate—

supply of capital, the evidence of which is the fall in the rate of interest from the excessive figures which at one time prevailed in several countries, particularly in Central Europe, to more normal levels. The rapidity with which rates have fallen is to a certain extent a reflection of the growing freedom of the movement of capital.

11. Similarly, in the case of international commerce, the conditions immediately succeeding the war did not permit of the immediate resumption of normal trading relations. Extreme forms of obstructions to trade were consequently imposed; but many of these have since been substantially removed, and liberty of trading, subject to the tariff and to other barriers which are dealt with in paragraph 19, has been largely restored.

12. But while the new economic situation of Europe since the war contains some features which are fortunately of a temporary character, there are others which we cannot hope to change for a considerable time to come, and others which must be regarded as permanent. The passing away of temporary financial and economic difficulties which have hitherto almost monopolised public attention now enable us to see more clearly and to study these more deeply rooted changes in the economic situation of the world. It is hopeless to try to solve such problems by striving after the conditions of 1913. In the face of a new situation new remedies must be found.

13. Some of these permanent changes, like the difficulties previously referred to, are the direct result of the war. For example, the belligerent countries of Europe have been left with financial difficulties which have extended to many other countries and will take many decades to remove. Not only is there in many countries a heavy annual charge for war debts but also every belligerent country will for many years have to find the funds for war pensions. These burdens are in addition to the cost of current armaments, which still weigh heavily on the finances of the nations of the world. The level of taxation in relation to resources is therefore likely to remain very much higher in Europe for a long time to come than it was in 1913.

14. Moreover, the external obligations arising out of the war have an international economic significance. Taken in conjunction, on the one hand, with the loss of their foreign investments which certain nations have suffered, and, on the other, with the new loans which many of them have raised abroad, they have changed the balance of public and private indebtedness between nations as compared with the pre-war situation. This is one of the factors that ultimately involves a change in the distribution and direction of international trade; for the ultimate settlement of net balances due from one country to another must be made by means of goods and services—although not necessarily by the transfer of the debtor's goods and services direct to the creditor.

15. Another change which has an influence on the distribution of industry, on commercial policy and on trade is a reduction in the streams of emigration. This fact, taken in conjunction with the great differences in the natural increase of various nationals, is causing changes in the relative density of population. Those countries in which there is a rapidly increasing excess of population in relation to their territory and natural resources have consequently intensified their industrial activity and attach particular importance to the adoption by other countries of a liberal policy in relation to raw materials. So far as Europe is concerned, the emigration problem has been partially and temporarily met by an abnormal amount of migration between the various continental countries.

16. Some of the changes, however, which our survey reveals are by no means entirely to be attributed to the effects of the war. European opinion is beginning to realise that the war has hastened changes in the world situation which had begun in the early years of the twentieth century. After a whole century, during which other continents had been willing to supply Europe with raw products in return for the manufactures which Europe alone was in the position to make, a careful observer in 1905 or 1906—or possibly twenty years earlier in the case of the United States—could have perceived that a new chapter was opening in the history of these distant countries, the chief characteristic of which was the endeavour to establish manufacturing industries of their own. The war greatly stimulated this development by restricting and diverting foreign trade between Europe and the rest of the world.

17. But at the moment of facing this new situation, Europe finds herself severely handicapped. Some of her temporary difficulties have already been referred to. There are others which, in greater or less degree, affect the internal economy of various countries. Currency disorders have resulted in almost every country in a disproportion in the wage levels in various trades, in the prices of different commodities and in the relation between wages and prices, while the difficult adjustments which these conditions have involved have resulted in industrial disputes and sometimes in great social changes. These matters are outside our terms of reference, but they cannot be overlooked in an attempt to explain the causes of the present economic disequilibrium.

18. But Europe is also handicapped by problems of an international character. The effort to restore her economic position calls for the rationalisation of industry and a co-ordination between the economic efforts of various countries. It has to be recognised that the possibility of Europe being organised as an economic unit is more remote than before the war, partly because of excessive economic nationalism, which was the natural consequence of the war and is only now subsiding, and because of the economic consequences of retracing frontiers. This nationalisation and these territorial readjustments have resulted in the duplication of industrial plant and in a failure to apply the principles of division of

labour between the various States of Europe. The normal process of interchange between the numerous units which constitute the new Europe has been seriously interrupted. The markets which certain areas had supplied before the war have been lost to them, and everywhere it has been necessary to seek new openings for trade.

Both in its trade relations with other continents and in its own internal intercourse, Europe, under the special circumstances of the day, urgently needs greater liberty for trade and commerce. In actual fact, this liberty is still substantially less than before the war.

19. The documentation of the Conference gives an account of the tariff situation of the world. Reference has already been made to the extreme forms of obstruction which were imposed immediately after the war but have since been largely removed. Europe remains to-day, however, with its tariffs higher and more complicated, less stable and more numerous than in 1913. Moreover, Europe has failed to restore its former system of commercial treaties, and the habit has developed of putting tariffs designed for purposes of negotiation into force before those negotiations take place. If, as has often happened, these tariffs have failed to result in agreement, the obstruction remains higher than before. The tendency of the last three years has continued to be in an upward direction, and the increased level has not been balanced by those commercial treaties which have, in fact, been made.

20. Such are the main features of the situation with which the Conference has been called upon to deal and in regard to which it has put forward the recommendations contained in the reports of the various commissions.

2. COMMERCE

INTRODUCTION

The programme with regard to Commerce laid down by the Conference Agenda includes a large number of subjects relating to the most important aspects of international trade.

Whatever the particular subject under discussion, it became apparent from the facts and evidence presented to the Conference, that each nation's commerce is to-day being hampered by barriers established by other nations resulting in a situation, especially in Europe, that is highly detrimental to the general welfare.

In spite of the variety of questions raised, the diversity of theories, and the legitimate national sentiments of all those who took part in the discussion, one important and extremely encouraging fact has emerged; and, having emerged, has become increasingly manifest as the work has advanced. This fact is the unanimous desire of the members of the Conference to make sure that this Conference shall, in some way, mark

the beginning of a new era, during which international commerce will successively overcome all obstacles in its path that unduly hamper it, and resume that general upward movement, which is at once a sign of the world's economic health and the necessary condition for the development of civilisation.

A second fact, which is no less important than the first, is the mutual reaction which takes place between the measures taken by the different States for the benefit of their national economic interests. The tendency to equalise the level of Customs protection in the various countries; the desire of each nation to improve its position pending trade negotiations; the impulse to take reprisals against particularly harmful foreign tariff measures; the tendency to retain for national consumption certain goods which have been rendered scarce by restrictive measures in the country of origin; the anxiety to maintain equal competitive conditions in matters of transport and credits; sometimes perhaps the mere contagious effect of example—all these circumstances cause each economic measure taken by one nation at a given time to react almost invariably on the policies of all other nations.

Thus any strictly nationalistic policy is harmful not only to the nation which practises it but also to the others, and therefore defeats its own end, and if it be desired that the new state of mind revealed by the Conference should lead rapidly to practical results, any programme of execution must include, as an essential factor, the principle of *parallel* or *concerted* action by the different nations. Each country will then know that the concessions it is asked to make will be balanced by corresponding sacrifices on the part of the other countries. It will be able to accept the proposed measures, not merely in view of its own individual position *but also because it is interested in the success of the general plan laid down by the Conference.*

It is, of course, well, at this point, to avoid any misunderstanding; if concerted action is indispensable, it is, unfortunately, by its very nature, comparatively slow, and nations must not allow themselves to make it an excuse for postponing the execution of the measures individually incumbent on each of them. Such measures should, on the contrary, form the firmest basis for the collective work which is destined one day to crown their efforts.

The first step has already been taken towards satisfying the desire for a return to a more normal commercial regime through the stabilisation now effected of the currency of a great number of countries whose exchange had been dislocated by the war and its consequences.

The Conference, convinced that exchange stabilisation constitutes one of the foremost conditions for the restoration of international trade, is most anxious to see further progress in this direction.

Such are the fundamental ideas which we must endeavour to instil in the minds of the people of all countries, so that, when properly informed of the nature of the task to be undertaken and fully reassured that

important national interests will be respected, they may support their Governments in their worthy and arduous task of endeavouring forthwith to give effect to the resolutions of the Conference.

I. LIBERTY OF TRADING

In harmony with what has been said above, the Conference, having been invited to consider the different problems grouped under the general heading of liberty of trading, has condemned the system of import and export prohibitions and the privileges sometimes granted to State enterprises, and has also recommended a more liberal policy in respect of foreign nationals and companies in the exercise of their commercial activities.

The proposals resulting from its deliberations are as follows :

1. *Import and Export Prohibitions and Restrictions.*

The Conference is convinced that a return to the effective liberty of international trading is one of the primary conditions of world prosperity.

The experience of the years since the war proves that import and export prohibitions, and the arbitrary practices and disguised discriminations which result therefrom, together with the obstacles of all kinds placed on the circulation of goods and capital, have had deplorable results by hampering the normal play of competition, by imperilling both the essential supplies of some nations and the not less indispensable markets of others, and by bringing about an artificial organisation of production, distribution and consumption.

Experience has shown, moreover, that the grave drawbacks of these measures have not been counterbalanced by the financial advantages or social benefits which were anticipated.

It is therefore important for the recovery and future development of world trade that the Governments should forthwith abandon an economic policy which is injurious to the interests both of their own and other nations.

A considerable step will have been taken in this direction if, as a result of the Diplomatic Conference convened for November 14th, 1927,¹ the Governments adopt a convention based upon the draft prepared by the Economic Committee of the League of Nations on the subject of import and export prohibitions and restrictions, taking into account also the principles enumerated in the commentary accompanying the said draft and the proposals of the International Chamber of Commerce on this subject.

The aim in view would not, however, be achieved if the acceptance of this convention were merely formal, and if its provisions were rendered inoperative by export duties,² the fixing of quotas, the imposition of unjustified health regulations or by any other means.

¹ It is anticipated that the Council will decide to call the Conference at an earlier date, namely October 17th, 1927.

² See also III, 3 : Export Duties.

Accordingly, the Conference recommends :

(1) That the draft International Convention for the Abolition of Import and Export Prohibitions and Restrictions, as prepared by the Economic Committee of the League of Nations and submitted to the States Members of the League and to the principal non-Member States, constitutes, with its accompanying commentary, a very satisfactory basis for the Diplomatic Conference convened for November 14th, 1927,¹ and should be utilised to lead to a prompt general agreement permitting the greatest possible number of nations by their concerted and simultaneous action to bring about favourable conditions for the recovery and development of the production and trade of all countries ;

(2) That, moreover, the application of the principles laid down in this draft should not be indirectly defeated by such means as export duties,² the fixing of quotas, health regulations or any other measures not justified by exceptional or imperative circumstances ;

(3) And, further, that the application of these principles should not be indirectly defeated by restrictions on the free circulation of capital—including, for example, any system for controlling exchange which impedes the purchase or exportation of foreign exchange for the purpose of paying for goods imported.

2. Commercial Equality of State Enterprises and Private Enterprises.

The Conference has considered the fact that certain Governments, when participating in the control or management of commercial, industrial, banking, maritime transport or other enterprises, have claimed in virtue of their own sovereignty various privileges, immunities or other advantages for the benefit of these enterprises and have also at times secured the grant of similar advantages from other countries by virtue of international comity.

Noting that these advantages give the enterprises benefiting from them an unduly privileged position as compared with similar private enterprises, the Conference declares that they constitute an infringement of free competition by making a discrimination between enterprises carried on side by side.

Accordingly, the Conference recommends :

That, when a Government carries on or controls any commercial, industrial, banking, maritime transport or other enterprise, it shall not, in its character as such and in so far as it participates in enterprises of this kind, be treated as entitled to any sovereign rights, privileges or immunities from taxation or from other liabilities to which similar privately owned undertakings are subject, it being clearly understood that this recommendation only applies to ordinary commercial enterprises in time of peace.

3. Legal Provisions or Regulations relating to International Trade.

The Conference recognises that it is important that the work of the Economic Committee of the League of Nations and the International

[For notes 1 and 2 see footnotes on previous page]

Chamber of Commerce in connection with the simplification of Customs formalities,¹ the assimilation of laws on bills of exchange, the international development of commercial arbitration and the suppression of unfair commercial practices should be continued with a view to obtaining rapid and general solutions.

Accordingly, the Conference recommends:

That, with a view to obtaining rapid and general solutions, the Economic Committee of the League of Nations should pursue the investigations undertaken with a view to the simplification of Customs formalities, the assimilation of laws on bills of exchange, the international development of commercial arbitration and the suppression of unfair commercial practices, and that all the necessary measures should be taken by the League of Nations and by Governments to increase the number of accessions to Conventions already concluded or which may hereafter be concluded on these matters.

In connection with the preceding recommendation, the Conference is of opinion that the beneficial results of the Protocol of September 24th, 1923, in regard to international recognition of arbitration clauses in private commercial contracts, will not be fully realised until provision is made for ensuring the execution of such arbitral awards.

The Conference accordingly recommends:

That the Council of the League of Nations take steps to submit to States, for signature at an early date, Protocol providing for the execution of arbitral awards in commercial questions.

4. *Economic and Fiscal Treatment of Nationals and Companies of One Country admitted to settle in the Territory of Another.*

The Conference considers that the granting of the legal, administrative, fiscal and judicial guarantees necessary to the nationals, firms or companies of a State admitted to exercise their trade, industry or other occupation in the territory of another State or to settle there, is one of the essential conditions of economic co-operation between nations.

Taking note of the important work already devoted to this subject by the Economic Committee of the League of Nations and by the International Chamber of Commerce, the Conference considers it desirable that their conclusions should be considered and co-ordinated by the appropriate organs of the League of Nations with the view to their submission to a diplomatic conference for the purpose of determining the best methods of defining the status of foreigners, of abolishing unjust distinctions between them and nationals, and of preventing double taxation. The purpose of this conference would be to draw up an international convention.

But, before the latter could settle the question as a whole, bilateral agreements providing for equitable reciprocity and based on the guiding principles referred to above might effect a valuable improvement in the present situation.

¹ See also II, 5: Customs Formalities.

Accordingly, the Conference recommends:

(1) That, pending the conclusion of an international convention, bilateral agreements should be arrived at, on the basis of the work already accomplished by the Economic Committee of the League of Nations and by the International Chamber of Commerce, defining the status of foreigners, not only from the economic but from the legal and fiscal points of view:

(2) That, in the same spirit and with the same end in view, the Council of the League of Nations should prepare for the meeting of a diplomatic conference for the purpose of drawing up an international convention;

(3) That, in drawing up these agreements and the texts to be submitted to the Conference, the following points among others should be borne in mind:

- (a) Equality of treatment with regard to conditions of residence, establishment, removal, and circulation, between foreigners admitted to a State and the nationals of that State;
- (b) Conditions of carrying on trade, industry and all other activities by foreign persons and enterprises;
- (c) Legal status of the same persons and enterprises;
- (d) Fiscal status of the same persons and enterprises.

II. CUSTOMS TARIFFS

The question of Customs tariffs has two different aspects according as it is regarded from the point of view of form or from that of substance, i.e. of the actual amount of the import duties. The latter aspect, which is directly allied to the question of commercial treaties, will be dealt with later in connection with the general problem of commercial policy.

As regards the first class of questions, the Conference unanimously recognised the desirability of simplifying Customs tariffs as far as possible, particularly by avoiding unwarranted sub-divisions; it has proposed the establishment of a systematic Customs nomenclature, the use of which would in due course be assured by individual measures taken by the Governments and regularised by the conclusion of bilateral or multilateral international conventions; it emphasised the urgent necessity of stabilising Customs tariffs, by the conclusion of long-term commercial treaties or otherwise; it recapitulated rules for securing the maximum of equity in the application of duties and defined the principles on which Customs formalities should be based; and finally it passed a recommendation in favour of the execution, to the fullest possible extent, of the Convention of December 31st, 1913, establishing an International Bureau of Trade Statistics.

1. Simplification of Customs Tariffs.

The Conference considers that the enormous increase in the number of tariff headings and the excessive number of sub-headings in the various items—a practice which has grown up since the war—constitute in many

cases a considerable obstacle to the development of international commerce, that States should refrain from this practice as far as possible, and that consideration should be given to the difficulties it causes as regards the nomenclature the establishment of which the Conference recommends.

The Conference considers that it is above all necessary to avoid tariff sub-headings which do not refer to articles of a different nature and which are merely intended to discriminate between articles of different origin.

2. Unification of Tariff Nomenclature.

The Conference considers that a fixed nomenclature for goods subject to Customs duties is an essential condition of equity in their application and ease in their collection, that it may also contribute to the exchange of goods not subject to duty, and that it constitutes a favourable basis for the improvement of trade statistics.

It is of the greatest importance for international trade that the Customs nomenclature of all countries should correspond as closely as possible with the actual types of goods manufactured and their current trade names, supplemented, if necessary, by their scientific designation.

Any Customs classification should be as objective as possible, lest it should become a means of discriminating to the prejudice of any country or of specialising tariffs to the advantage of any country.

A single systematic nomenclature, based either on the successive stages of manufacture or on the different types of goods, is perfectly well adaptable to different economic or fiscal theories, and it is not the nomenclature but the rate of duty attached to each such stage or type which is the means of establishing the degree of protection which, in accordance with its own tariff system, a country desires to give to a certain product, in accordance with its conception of national economy.

In these circumstances the adoption of a common nomenclature, as has already been shown by its application to products of special complexity, would help to remove a subject for dispute which might become an obstacle to international trade.

The common adoption of an agreed nomenclature would promote the conclusion of commercial treaties and would prevent their application from becoming the subject of perpetual disputes.

The Conference therefore recommends :

(1) That the Council of the League of Nations should take the initiative in drawing up an appropriate procedure for establishing, in liaison with the producing and commercial organisation concerned, a systematic Customs nomenclature in accordance with a general plan covering all classes of goods ;

(2) That a selection be made and an order of priority fixed among the various groups of commodities so that the common nomenclature may be gradually worked out, beginning with those classes of goods for which it can most readily be introduced ;

(3) That the common nomenclature thus obtained should be submitted to the various Governments at each stage of preparation, and

should then be transmitted to the producing and commercial circles concerned, and that such communication should be accompanied by an explanation of the principles underlying Customs classification and the arrangement of items ;

(4) That, if the adoption of a common nomenclature for various important branches of production seems, after the inquiry and consultation referred to in the preceding paragraphs, to be realisable before a complete nomenclature has been established, the adoption of such nomenclature should be suggested to the Governments by means of a diplomatic conference or by other means ;

(5) That, either by means of bilateral agreements or by a plurilateral convention or by any other procedure, Governments should undertake to apply this common nomenclature and bring their methods of passing goods through the Customs and of levying duties into line with it ;

(6) That the Governments which have adopted the common nomenclature should undertake not to impair its value by applying arbitrary or discriminatory specifications to the detriment of third States ;

(7) That, notwithstanding the above provisions, States should not be bound in practice to introduce into their Customs tariffs all the subdivisions of the common nomenclature, it being understood that they will conform, in the headings they use, to the rules of classification and description which will have been settled in common ;

(8) That, in order to ensure the execution of engagements entered into by States with regard to nomenclature, the League of Nations should propose such measures of publicity, information, friendly settlement or arbitration as the nature of the engagements make it possible to adopt.

3. Stability of Customs Tariffs.

One of the most formidable obstacles in the way of establishing and developing permanent and secure trade relations between countries is the instability of tariffs.

The main causes of this instability are to be sought, on the one hand, in the fluctuations of exchanges when Customs duties are payable in paper currency, and, on the other hand, in the fact that Customs autonomy makes it possible for States to modify their Customs duties even as regards States with which they have concluded commercial conventions.

The Conference recommends :

(1) That States should refrain from making frequent or sudden changes in their Customs duties on account of the instability which such changes cause in trade relations and the serious difficulties or disputes which they occasion in connection with the execution of contracts already concluded ;

(2) That in cases in which currency stability has not yet been fully secured, Customs duties should be levied on a gold basis, or their incidence should be periodically adjusted on the basis of an official index of prices, the adjustment to be made only at dates fixed in

advance and only when alterations of incidence represent an appreciable percentage of the duties ;

(3) That, in commercial treaties, as wide a use as possible should be made of the guarantees of stability afforded by the consolidation of duties, or in cases in which currency stability is insufficient to allow of the consolidation of the duties themselves, by any other means for adjusting the incidence of duties ;

(4) That States should conclude their commercial treaties for as long a period as possible and should follow, in this regard, the policy practised by a large number of countries before the war.

4. Application of Tariffs.

The International Economic Conference does not desire to express an opinion as to the respective advantages and drawbacks of *ad valorem* and specific duties ; it is nevertheless desirable that endeavours should be made to secure their equitable application in all cases.

In the case of *ad valorem* tariffs, disputes often arise concerning the true value or current level of prices in the country of origin or the valuation of similar products in the importing country.

On the other hand, in the application of specific duties, the main difficulties are caused by uncertainty as to the tariff item applicable to a given article.

The Conference therefore recommends :

(1) That any system of inquiries or investigations in connection with the application of *ad valorem* duties or modification of tariffs shall be framed and administered with full regard for the business interests involved and for the maintenance of commercial good will among nations. Inquiries or inspections involving inquisitorial procedure or arbitrary methods shall be eliminated ;

(2) That, for the application of Customs duties, States should make provision, in case of dispute, for equitable procedure by appeal to administrative or ordinary courts in which the importer can be heard or defend his interests by producing evidence or demanding such expert examination as may be necessary ;

(3) That States should, by definite stipulations in their Customs legislation and possibly in their commercial treaties, endeavour to limit the difficulty of applying duties so that trade may acquire that security without which it can neither develop nor even be maintained.

5. Customs Formalities.

In accordance with analogous provisions contained in the Convention on Simplification of Customs Formalities, the Conference considers it desirable to put forward the following recommendations :

(1) Consular fees should be a charge, fixed in amount and not exceeding the cost of issue, rather than an additional source of revenue. Arbitrary or variable consular fees cause not only an increase of charges, which is at times unexpected, but also an unwarrantable uncertainty in trade.

Failing any general agreement, it would be desirable that States should, in this matter, embody mutual guarantees in their commercial treaties.

(2) The Conference, calling attention to the recommendations contained in the Annex to Article 14 of the Convention for the Simplification of Customs Formalities, recommends that an express guarantee should be added providing for a right of appeal, which could be exercised, either by the importer or by the exporter, against Customs penalties, and more especially against such penalties as might be imposed in cases of manifest clerical errors.

(3) The Conference, appreciating the full value of the progress already made in the matter of Customs regulations under the influence of the "Convention relative to the Simplification of Customs Formalities" concluded at Geneva on November 3rd, 1923, which is now in force in twenty-five countries,

Recommends:

(a) That the said Convention should be ratified as soon as possible by those countries which have not yet ratified it or which have not yet made arrangements to bring their regulations into line with the principles of liberty recommended therein;

(b) That its provisions should be applied by the contracting States as generously as possible.

(4) The following recommendation might be embodied in the Final Act of the Conference:

["The Conference, informed that the Economic Committee has before it a proposal designed to repress the practice of false Customs declarations and invoices, and without desiring to anticipate the results of its investigations, desires to make it clear that it is opposed to any dishonest practices in international trade."]¹

6. Trade Statistics.

The Conference appreciates the desirability of making statistics comparable by adopting a common nomenclature, and observes the progress made in this direction under the influence of the Convention dated December 31st, 1913, which set up in Brussels an International Bureau for Trade Statistics.

It considers that international co-operation on the basis of the provisions of the said Convention will constitute an excellent preparation for the realisation of the international agreement recommended by the Conference for the adoption of a common Customs nomenclature, which moreover, should have, when adopted, a beneficial effect on the unification of trade statistics.

The Conference therefore recommends:

(1) That the States which have signed the Convention dated December 31st, 1913, and have not yet ratified it should do so as soon

¹ No Final Act was drawn up by the Conference.

as possible, and that the Governments which have not signed it should accede to it;

(2) That the Contracting Parties should furnish the Bureau in Brussels as soon as possible with the data required for the compilation of the comparative statistics with the publication of which it has been entrusted under the said Convention.

III. COMMERCIAL POLICY AND TREATIES

The main conclusion to be drawn from the work of the Conference in the field of commercial policy is that the time has come to put a stop to the growth of Customs tariffs, and to reverse the direction of the movement by an effort made along three lines, viz :

- (1) Individual action by States with regard to their own tariffs ;
- (2) Bilateral action through the conclusion of suitable commercial treaties ;
- (3) Collective action, by means of an inquiry, with a view to encouraging the expansion of international trade on an equitable basis by removing or lowering the barriers to international trade which are set up by excessive Customs tariffs.

With the question of import duties is bound up the question of the fiscal burdens which are sometimes imposed in addition, and which, in the Conference's opinion, should not aim at providing disguised protection for national production.

In a similar connection, the Conference is anxious that the free circulation of raw materials and articles of consumption should not be unduly hindered by export duties, and that such duties, whether levied to meet fiscal needs or exceptional or compelling circumstances, should not discriminate between different foreign countries.

Lastly, commercial treaties should contain the unconditional most-favoured-nation clause in its broadest and most liberal form, and the League of Nations is recommended to consider the possibility of establishing clear and uniform principles in regard to that clause and introducing common rules relating to commercial treaties.

1. Tariff Levels.

Present Tariff Situation.—The evidence before the Conference, which is contained in the documentation or in the statements made by the members of the Conference, shows that the recovery from the effects of the war has been unduly delayed and that the foreign commerce of all nations is in greater or less degree seriously hampered by existing obstacles to trade.

The Conference notes with satisfaction that some of the more injurious forms of obstruction that prevailed immediately after the war have been removed. To this fact must be attributed in part the recovery of world trade which has so far been achieved.

Tariffs, on the other hand, which in recent years have shown a tendency to rise, are for the most part higher than before the war, and are at present

one of the chief barriers to trade. The increase in most countries is almost wholly due to higher duties on manufactured articles.

In Europe, the problem has been complicated by political readjustments which have changed many frontiers and increased the number of separate Customs units from 20 to 27, all of which strive for an independent national economy which they defend by means of tariff barriers.

The harmful effect of these tariffs upon trade has in many cases been increased through their constant changes, which have created an element of uncertainty and made it impossible to place long contracts. The nations have failed to deal with this situation by long-term treaties.

Causes.—This state of affairs is largely due to a desire to meet the abnormal conditions arising out of the war. For example, many duties have been raised as a protection against an influx of goods from countries with a depreciating currency. Experience has proved that even the most rapid manipulation of tariffs is not an effective method of dealing with the still more rapid changes which are caused by monetary instability. Such attempts are a source of new difficulties for commerce and are themselves a source of uncertainty. Again, in the countries themselves whose currency has been depreciating, tariffs have been raised in order to check imports in the hope of stopping the depreciation. Finally, it has sometimes happened that, where depreciation has been followed by appreciation, Customs duties payable in paper money which had been raised during the inflation have not been correspondingly reduced when revalorisation occurred. These unstable currency conditions have to a considerable extent passed away; but the tariff and other measures which have been specially employed to deal with them have not yet wholly disappeared.

A second reason for the present tariff situation both in Europe and elsewhere is the desire of nations by means of tariffs to keep existing or recently established industries in being by means of tariffs on a scale which they would not otherwise be able to maintain. These industries have grown to their present extent, in some cases as a result of abnormal expansion during the war, in others as a result of the desire of certain nations to attain a degree of economic independence which is not justified by their slender resources, and again in others with a view to providing employment for surplus labour for which certain former outlets are at present closed.

This increase in productive capacity has often outrun the capacity of the country to absorb the products either as regards its material needs or its purchasing power. The result has been either that the plant left idle has overweighted the costs of production, particularly when borrowed capital is involved, or that, in order to utilise the whole plant and to give some return to the capital employed, it has been necessary to turn to the foreign market and so to intensify international competition.

The desire to deal with the problem of excessive industrial capacity has usually led to an attempt to reserve the home market for home pro-

duction by means of tariff barriers erected with a view to creating an independent national economy capable of producing, under the protection of the tariff wall, an increase of invested wealth and a more satisfactory return for the work of the nation. This effort to attain self-sufficiency cannot hope to succeed unless it is justified by the size, natural resources, economic advantages and geographical situation of a country. There are very few countries in the world which can hope to attain it. The artificial increase of plant which is only partly employed has meant not only uneconomical and costly production, but also a wasteful use of the world's reduced capital resources. It has thus been one of the causes which has maintained an abnormally high rate of interest in recent years. It should be added that, so long as unduly high tariffs are maintained, this uneconomic use of capital continues and creates an increasing number of vested interests which resist a return to a sounder policy.

High tariffs of whatever system have, in many cases, also been imposed, in the first instance at all events, for bargaining purposes. But subsequent negotiations have in practice not resulted in adequate modifications, with the consequence that the Customs barriers have been left higher than before.

This evil has become accentuated in recent years by the post-war practice of enforcing the exaggerated rates of *tarifs de combat*, whether under the autonomous or any other system, even in advance of negotiations, with the result that vested interests have frequently grown up in the meantime which have made impossible the contemplated reductions.

In addition to arguments connected with tariff negotiations, budgetary considerations are frequently brought forward to justify very high tariffs. But a country's budgetary equilibrium rests on a very precarious foundation if it is founded on high rates of duty the effect of which is to diminish imports and consequently the Customs revenue resulting from them. Moreover, the smuggling encouraged by excessive duties has a demoralising effect.

A reason which has frequently been invoked in many cases to justify exaggerated post-war tariffs is the need of protecting industries required for national defence. But it cannot be denied that this argument, whatever its merits may be in principle, has often been abused to cover exclusively economic objectives.

Finally, the problem of population has induced certain countries which have a surplus of labour to base their Customs protection on this argument.

In enumerating the causes and ideas which are responsible for the super-protectionism of post-war years, the International Economic Conference does not attempt to pass judgment on the fundamental principles of protection and free trade respectively.

Discussion of Commercial Policy.—In contrast to ideas which have led nations into a situation which is equally harmful to their own econ-

omic life and to their international economic relations, it remains to set out the considerations which demand a return to a general policy of freer international commerce.

It is too often overlooked that the attempt to stimulate artificially industries which would not otherwise flourish in a country may check the development of those activities for which it is most naturally suited. Nations may determine, for political or other reasons, that it is essential to their safety to develop increased self-sufficiency, but it is appropriate for the Conference to point out that this has in most cases involved a sacrifice of material prosperity. In such cases, the loss is borne by consumers, who have to pay more for the products of the protected industry, and by those engaged in the industries that would otherwise have a larger possibility of export.

In analysing European commercial practices, it may be observed that the advocates of exaggerated protection have often made the mistake of imagining that it is always more advantageous to hinder imports than to increase exports; it may be observed that, if exports increase, production and national income are increased in a similar proportion; if, on the other hand, imports fall on account of tariff duties, the rise in the level of commodity prices reduces not only the possibility of export but also the consuming capacity of the country. A part only of the imports excluded by the Customs duties is replaced by home production. Excessive protection, which reduces national production and purchasing power, in the end defeats its own object.

In some cases excessive import duties, by permitting very high profits to be realised at home, give an uneconomic stimulus to exports, thus creating artificial competition on foreign markets. This practice is one of the most dangerous causes of market disorganisation and of economic conflicts between nations.

Such are some of the principal illusions and most dangerous practices which have impoverished certain nations or hindered their economic reconstruction.

The Conference recognises that the removal or substantial reduction of Customs barriers cannot be brought about suddenly without causing dislocation, but it is of opinion that Governments should immediately prepare plans for removing or diminishing by successive stages those barriers that gravely hamper trade, starting with those duties which have been imposed to counteract the effect of disturbances that are now past.

The Conference believes that, if the true results of the present system now prevalent in Europe were understood by public opinion, it would be possible for Governments to commence this process forthwith.

It is, however, clear that the process will be hastened if it can be carried out as a result of concerted action among States.

This is why the Conference is of opinion that it should make provision in its resolution, not merely for the encouragement of bilateral agreements as nearly as possible in keeping with its doctrines, but also for the

methodical examination, by the Economic Organisation of the League of Nations, of common measures which might be adopted, in the matter of tariffs, by States Members of the League and by States non-members, and also of the mutual agreements at which these States might arrive.

Although the considerations outlined above with regard to tariff levels are based on a study of the question more particularly from the point of view of industry and commerce, they may be regarded as applying also, to an extent varying according to the country and purpose in view, to agriculture.

Conclusion.—In view of the fact that harmful effects upon production and trade result from the high and constantly changing tariffs which are applied in many countries :

And since substantial improvement in the economic conditions can be obtained by increased facilities for international trade and commerce ;

And in view of the fact that tariffs, though within the sovereign jurisdiction of the separate States, are not a matter of purely domestic interest but greatly influence the trade of the world ;

And in view of the fact that some of the causes which have resulted in the increase of tariffs and in other trade barriers since the war have largely disappeared and others are diminishing ;

The Conference declares that the time has come to put an end to the increase in tariffs and to move in the opposite direction.

The Conference recommends :

(1) That nations should take steps forthwith to remove or diminish those tariff barriers that gravely hamper trade, starting with those which have been imposed to counteract the effects of disturbances arising out of the war.

Moreover, to ensure that this action is continuously pursued, the Conference recommends :

(2) That States should proceed to the conclusion of commercial treaties on lines and under conditions calculated to ensure the attainment of the aims mentioned herein ;

(3) That, in future, the practice of putting into force, in advance of negotiations, excessive duties established for the purpose of bargaining, whether by means of *tarifs de combat* or by means of general tariffs, should be abandoned ;

(4) That the Council of the League of Nations should be requested to instruct its Economic Organisation to examine, on the basis of the principles enunciated by the present Conference, the possibility of further action by the respective States with a view to promoting the equitable treatment of commerce by eliminating or reducing the obstructions which excessive Customs tariffs offer to international trade.

In this inquiry, the Economic Organisation should consult with representatives of the various Governments, including non-Members

of the League, and also so far as necessary with the competent bodies representing Commerce, Industry, Agriculture and Labour.

The object of the inquiry should be to encourage the extension of international trade on an equitable basis, while at the same time paying due regard to the just interests of producers and workers in obtaining a fair remuneration and of consumers in increasing their purchasing power.

2. Fiscal Charges imposed on Imported Goods.

The Conference noted that the practice has unfortunately become prevalent of imposing on imported goods internal taxes of consumption, excise, *octroi*, circulation, manipulation, etc., which do not apply at all or do not apply in the same degree to similar home products.

The Conference considers that States are not justified in placing such obstacles in the way of international trade by taxing foreign products more heavily than identical or similar home products.

When goods have been legally imported duty free or when they have discharged the Customs duties and accessory Customs charges, they must be regarded as duly nationalised and should be entitled after their importation to claim equal treatment with home products.

The Conference has thought it desirable to make the following recommendations as regards the above-mentioned practices ;

(1) That all internal taxes of consumption, excise, *octroi*, circulation, manipulation, etc., which are applied to the products of any foreign country should be applied in the same manner and in the same degree to the products of all foreign countries and to identical and similar home products ;

(2) That the States should not impose consumption or other internal taxes for the purpose of giving a disguised protection to national products.

3. Export Duties.¹

The Conference is of opinion that the free circulation of raw material is one of the essential conditions for the healthy industrial and commercial development of the world.

It is therefore of opinion that any export tax on raw materials or on the articles consumed by producers which has the effect of increasing the cost of production or the cost of living in foreign countries tends thereby to aggravate the natural inequalities arising from the geographical distribution of world wealth.

The Conference therefore considers that export duties should only be resorted to to meet the essential needs of revenue or some exceptional economic situation or to safeguard the vital interests of the country and that they should not discriminate between different foreign destinations.

The Conference therefore recommends :

(1) That the exportation of raw materials should not be unduly

¹ See also I-1 : Import and Export Prohibitions and Restrictions.

burdened by export duties or any other taxes and that, even in cases where such duties or taxes are justified by fiscal needs or by exceptional or compelling circumstances, they should be as low as possible;

(2) That, in any case, export duties on raw materials should never be imposed for the special purpose of subjecting foreign countries using such materials to an increased burden which will place them in a position of unfair inferiority as regards the production of the finished article;

(3) That export duties on raw materials, whether levied for revenue purposes or to meet exceptional or compelling circumstances, should never discriminate between different foreign destinations;

(4) That the above principles apply equally to export duties on articles of consumption.

4. *Commercial Treaties.*

The tariff questions, important as they are, only cover a part of the field of the commercial relations among nations. In order to give to international commerce the necessary guarantees of free development on an equitable basis, it is also necessary that States should enter into commercial treaties for long periods guaranteeing fair and equal treatment as regards Customs duties and conditions of trading. In this respect, the great war has had a deplorable effect by destroying the system of commercial treaties by which easy and fruitful international relations were previously ensured.

The post-war system was based in the first instance on the peace treaties or on bilateral treaties concluded for very short periods.

Moreover, the collapse of certain currencies, the differences in conditions of production, and the disorganisation of prices, led various countries to abandon the principle of the most-favoured-nation clause, or to impose too many restrictions or conditions upon its application, or to limit its effects to categories of goods or to quotas.

Now, with the increasing stability of currencies and the accelerated movement towards normal economic conditions, all nations feel a growing desire for stability and a greater repugnance for any kind of discrimination.

A decisive step on the road to world reconstruction would undoubtedly be taken if the system of long-term treaties securing equality of treatment were restored.

For this purpose, it is highly desirable that the widest and most unconditional interpretation should be given to the most-favoured-nation clause. This is not inconsistent with the insertion in any particular treaty of special provisions to meet local needs, so long as such provisions are clearly expressed and do not injure the interests of other States.

On the other hand it is undeniable that the conclusion of such commercial treaties is made difficult by the variety of conceptions of the bases of such treaties. Some countries, moreover, have considered that tariffs and contractual methods are interdependent, so that unduly high

tariffs have often reacted on methods of treaty-making, and the latter in turn have often caused tariffs to be raised even higher.

The Conference regards these facts as necessitating immediate action by Governments with a view to concluding treaties as comprehensive and permanent as possible, and in order to improve and standardise the methods of treaty-making themselves.

(1) The Conference therefore considers that the mutual grant of unconditional most-favoured-nation treatment as regards Customs duties and conditions of trading is an essential condition of the free and healthy development of commerce between States, and that it is highly desirable in the interest of stability and security for trade that this treatment should be guaranteed for a sufficient period by means of commercial treaties.

(2) While recognising that each State must judge in what cases and to what extent this fundamental guarantee should be embodied in any particular treaty, the Conference strongly recommends that the scope and form of the most-favoured-nation clause should be of the widest and most liberal character and that it should not be weakened or narrowed either by express provisions or by interpretation.

(3) The Conference recommends that the Council of the League of Nations should entrust the Economic Organisation to undertake, in connection with the inquiry provided for in the preceding recommendations, all the necessary discussions, consultations and enquiries to enable it to propose the measures best calculated to secure either identical tariff systems in the various European countries or at least a common basis for commercial treaties, as well as the establishment, for all countries, of clearly defined and uniform principles as to the interpretation and scope of the most-favoured-nation clause in regard to Customs duties and other charges.

(4) The Conference, however, considers that the fact that certain discussions, consultations and enquiries may be taking place as contemplated in these recommendations, should not in any way be permitted to retard commercial negotiations now pending or to dissuade States from entering upon such negotiations.

The Conference has further considered the question of the best means of ensuring that full effect be given to the stipulations of commercial treaties. While recognising that, in the main, confidence must be reposed in the good faith of the contracting parties to fulfil their engagements, it is also clear that the possibility of recourse to a suitable arbitral or judicial procedure may often furnish the means of avoiding or settling difficulties whether of interpretation or of application.

The Conference therefore recommends :

(5) That the various States should consider the desirability of providing in their commercial treaties for the reference of disputed questions as to the interpretation or carrying out of the treaties to

arbitration or preferably to the Permanent Court of International Justice.

In this connection, the Conference notes that the present Statute of the Court authorises it to appoint experts or expert bodies to make inquiries or to give an expert opinion on any matter. It has been further suggested that, if at any time the amendment of the Statute of the Court is contemplated, the opportunity might be taken of enabling the Court to establish a special section or special procedure for dealing with commercial questions. The Conference does not feel that it is within its competence to pronounce on the merits of this suggestion, but it desires to pass it on to the Council of the League of Nations for consideration.

IV. INDIRECT MEANS OF PROTECTING NATIONAL TRADE AND NATIONAL NAVIGATION

Although having less immediate influence on the development of trade than the question of import and export prohibitions or that of Customs tariffs, the problems appearing under the above head are of considerable importance and their solution in the direction desired by the Conference would be of such a nature as to aid considerably the efforts made in other fields.

In the course of this part of its work, the Conference was bound to encounter the question of direct and indirect subsidies to trade, the question of dumping and the question of anti-dumping legislation. In this regard, however, it was confronted by such a variety of opinions, supported by so many different arguments that the Conference has had to be satisfied with enlightening public opinion as to the true nature and inevitable consequences of such practices and measures.

1. Subsidies, Direct or Indirect.

During the years which followed the war, a marked extension of tariff barriers took place in various countries, accompanied by an increasing tendency to introduce State subsidies. This was done more particularly in an indirect way, by granting credits or guarantees which aimed at assisting the home industries and their export trade for a more or less protracted period, in view of the abnormal economic conditions prevailing throughout the world.

The fact that subsidies are in certain circumstances held to interfere less with the liberty of trading than Customs tariffs does not make it any the less necessary to lay stress on the hidden dangers inherent in this means of encouraging production and exportation. The greater the number of countries which have recourse to this practice, the more difficult will it be for other countries to refrain from following their example. Thus the attempt to restore foreign trade to normal conditions meets with a real obstacle in the shape of subsidies.

The Conference draws the attention of the various Governments to the true nature of direct or indirect subsidies, which are merely a pallia-

tive, and expresses the hope that Governments will, so far as possible, refrain from having recourse to them.

2. Dumping and Anti-Dumping Legislation.

The Conference recognises that the question of dumping is of particular importance to those countries which have adopted a liberal tariff policy, and lays stress on the fact that, although the consumer may secure, as a result of dumping, certain transitory advantages as regards price, there can be no doubt that dumping creates a state of insecurity in production and commerce, and can therefore exercise a harmful influence quite out of proportion to the temporary advantage resulting from cheap imports.

The same applies to dumping employed by powerful firms or commercial combines in one or more countries to destroy the similar industries of another country, and thus enable them afterwards to raise the price on the market of that country.

It is certain that dumping is facilitated by the existence of high import duties in the countries practising it, and that it may lead to the introduction of high defensive duties in the importing country.

The Conference considers that dumping must be reduced to a minimum, and that in order to attain this object, every possible measure should be taken to establish universally stable conditions of production and commerce and to reduce the excessive Customs tariffs of exporting countries.

The Conference recommends, however, that importing countries which find themselves compelled to take defensive measures against dumping should not resort to excessive, indirect or vexatious measures which would have a more far-reaching effect than is intended.

3. Discrimination arising from the Conditions of Transport.

The Economic Conference, having on its agenda the investigation of the indirect methods of protecting national commerce and national navigation and particularly the question of the discrimination established by the system of transports,¹ has not, as regards the latter point to deal with general questions of transport as such but only to consider them in so far as they affect international economic life.

From this point of view, transport agents, whether they are concerned with transport by rail, maritime transport, transport by internal navigation, road transport or aerial transport, are merely the servants of trade.

¹ The details of a great number of problems have been submitted for consideration in the documents laid before the Conference, particularly in the memorandum of the International Chamber of Commerce on Trade Barriers. The Conference considers that this memorandum in particular should be brought to the knowledge of the competent technical organisations of the League of Nations, and it is confident that those organisations will study the conclusions given in it with the most lively desire to give them the effect desired by international commerce.

They do not create traffic and they are subject to the influence of the general economic situation rather than exercising an influence upon it. The prosperity of agriculture, industry and commerce alone is able, by providing traffic, to permit them to attain the full return on their undertakings and puts them in a position to give, in return, the maximum of service. Similarly, the greater part of the hindrances from which transport is suffering do not originate in the transport system itself; on the contrary, transport is subject to the influence of formalities, delays or precautions of various sorts inspired by administrative, Police, financial or political-economic considerations, the extent and effects of which transport agents can only submit to without influencing them. The smaller the importance the authorities concerned consider it possible to attach to these considerations the more will transport itself benefit. All that can be asked of transport agents is that their services, on all transport routes, shall be adequate for the needs of trade, shall be provided without prejudicial discrimination between different nationalities, and that their regime shall, as far as possible, not be such as to place any obstacle in the way of international trade, but shall, on the contrary, promote the free flow of traffic.

The Economic Conference has taken note of the efforts already made by various States, notably in the Organisation for Communications and Transit of the League of Nations, to remove so far as possible conditions and discriminations liable to disturb the normal operation of transports.

Such is the principal aim of the General Conventions on the Freedom of Transit and on the Regime of International Navigable Waterways concluded at the Barcelona Conference in 1921 and of the General Conventions on the International Regime of Railways and on the International Regime of Maritime Ports concluded at the Geneva Conference of 1923. It is inevitable that the texts of these conventions should be open to criticism from various quarters and should not be able to satisfy simultaneously the most conflicting national contentions on all points. Such as they are, however, they represent a considerable step forward; their full and loyal application on as universal a basis as possible would establish a stable system of liberty and equitable international treatment of transport within the limits which have been judged reasonably possible.

It would not seem opportune for the Conference to revert to the sometimes very delicate discussions—notably with regard to the coasting trade, railway rates, etc.—which took place at the meetings which resulted in the satisfactory conclusion of these Conventions; but, although a fresh examination of the contents of these Conventions does not appear advisable, attention should be drawn to the fact that, particularly as regards the Conventions of 1923, which were signed by a very large number of States, the progress of ratification and accession has been singularly slow. It would be most regrettable from the point of view of international trade if even those Governments which signed

these Conventions did not ratify them as soon as possible and if the greatest possible number of States did not accede thereto. In the majority of cases, the Governments themselves have made every effort to hasten these ratifications, but the application of the Conventions and the essential ratifications themselves can only be ensured if the public opinion concerned in the various countries shows a desire that this work should be carried through. The Economic Conference would perform a useful task if it addressed a fresh appeal in this connection to the Governments concerned and to the competent circles in the different countries.

The same appeal might well be made to accelerate the putting into force of the Convention on Customs Formalities, concluded at Geneva in 1923.¹ This Convention was not concluded for the purpose of facilitating transports, but the effects of it would nevertheless be particularly valuable for the free play of communications. Every simplification of Customs formalities, again, reduces the field in which discriminations prejudicial to trade and to transport itself can be exercised.

The application of such general conventions is no doubt insufficient in practice to eliminate in the sphere of transports all discriminations and all obstacles to international trade. In each branch of transports and with regard to a large number of special questions, direct and continuous co-operation between the experts responsible in the different countries is necessary, and indeed has been established in a satisfactory manner. To quote only a few examples: the International Chamber of Commerce comprises persons belonging to the commercial circles concerned in transport questions; the International Union of Railways permanently keeps in touch with one another the railway administrations of Europe and some of those of Asia; while the Organisation for Communications and Transit of the League of Nations, through its Advisory and Technical Committee and its specialised Committees on transport by rail, inland navigation, ports and maritime navigation, and road traffic, establishes co-operation particularly between official Government circles. Close touch is maintained between these various bodies and also with the River Commissions of the international rivers of Europe and the great international organisations of undertakings concerned in maritime navigation and aerial navigation.

It is not possible to mention here all the work already done by these various organisations, or still in progress, which is of great importance for the removal of obstacles and measures of discrimination detrimental to international trade. It is worth drawing attention, however, to the efforts made with a view to promoting the circulation of rolling-stock and to standardising railway nomenclature in order to facilitate the negotiation and conclusion of agreements for the introduction of international railway tariffs; similarly, steps are being taken to ensure the maximum of co-operation between the various modes of transport and

¹ See also II-5: Customs Formalities.

the development of combined tariffs. Attention should also be drawn to the difficult and particularly important task which falls to the River Commissions in laying down measures for the purpose of facilitating the passage of the frontier on large international waterways and of simplifying formalities of all kinds detrimental to the free movement of navigation and to the full utilisation of river ports. Lastly, the next General Conference on Communications and Transit, which is to meet at Geneva in August 1927, and at which various Organisations mentioned above will be represented, will no doubt consider the best means of co-ordinating the numerous investigations in progress. In particular, on the initiative of the last Assembly of the League of Nations, and in conformity with a plan drawn up by the Advisory and Technical Committee for Communications and Transit, it proposes to begin to apply a plan for the systematic collection and distribution of general information on communications and transit of a nature to establish between the administrations concerned in European countries and those of non-European countries a collaboration which, generally speaking, is lacking at present. The data which will thus be collected, summarised and published and which relate in particular to international agreements of a public nature in regard to transports, the administrative and legislative treatment of transport in the various countries, important works in course of construction or completed, general statistics of traffic, and the main changes in freights and tariff systems, will be of great interest if they are widely circulated to the circles concerned with transport questions and to those engaged in commerce. They will also make it possible for the League of Nations, when organising international co-operation in matters of transports, to deal more fully with practical details and to ascertain, with greater precision than the general texts of the Conventions allow for, the position with regard to the practical application of the principles embodied in these Conventions, the possibilities of extending this application, and the difficulties which may be encountered by international transport.

The Economic Conference cannot, of course, attempt to substitute itself for the various international organisations dealing with transport questions and examine afresh the problems which engaged their attention; it can but approve their efforts and urgently request all the authorities concerned to lend them their assistance in the general interests of international trade.

For these reasons,

(1) Whereas the General Conventions on the Freedom of Transit and on the Regime of Navigable Waterways of International Concern concluded at the Barcelona Conference in 1921 and the General Conventions on the International Regime of Railways and on the International Regime of Maritime Ports concluded at the Geneva Conference of 1923 have taken full account of the complexity of the question, and whereas their general application would ensure for transports a stable system of freedom and equitable international treatment without

unfair discrimination, care being taken to leave to the tariffs sufficient flexibility to permit of their being adapted as closely as possible to the complex needs of trade ;

Whereas the widest possible application of the General Convention on the Simplification of Customs Formalities concluded at Geneva in 1923 would certainly facilitate the free operation of transport ;
The Conference recommends :

That the States which have not yet ratified the above-mentioned General Conventions of Barcelona and Geneva should proceed to do so as soon as possible and that as many States as possible should accede thereto ;

(2) Whereas the best results are to be anticipated from the activities and co-operation of the great international organisations which permanently study transport questions, in particular :

The Organisation for Communications and Transit of the League of Nations through its Advisory and Technical Committee for Communications and Transit, which provides for liaison between the Governments ;

The International Chamber of Commerce, which comprises representative persons belonging to the commercial circles concerned ;

The International Union of Railways, which unites the railway administrations of Europe and part of Asia ;

The River Commissions of the International Rivers of Europe and the various international organisations representing the circles concerned in maritime and aerial navigation ;

The Conference recommends :

That the close co-operation already established will continue in future so as to take account of the various aspects of the problems raised by international traffic and so as to co-ordinate the solutions proposed, and that all the authorities concerned will support the efforts of these organisations ;

(3) Whereas its attention has been drawn to certain forms of indirect discrimination between flags in maritime navigation which may be facilitated by the absence of uniform rules governing the construction and equipment of ships from the point of view of safety at sea ;

Whereas it is desirable, in the interests both of the safety of life and property at sea and of international overseas trade, that uniform rules governing the construction and equipment of vessels in so far as they concern safety should be embodied in an international agreement and that all maritime countries should reciprocally accept such rules ;

The Conference :

(a) Notes the fact that measures are now being taken to introduce uniform international rules on this point ;

(b) Recommends that, pending the general adoption of these rules, maritime countries should endeavour to conclude agreements recognising the equivalence of measures of safety taken on board their ships.

3. INDUSTRY.

I. THE INDUSTRIAL SITUATION

During the part of its discussions which especially concerned industry, as well as in the general debate on the economic situation, the Conference naturally devoted most of its attention especially to an analysis of the major causes which have adversely affected the basic world industries and of the remedies which could be suggested.

The difficulties with which the industries of principal international importance are faced in certain parts of the world are not mainly due to an inadequacy either of scientific invention or of raw materials. The chief difficulties now experienced result from the facts that in certain countries sufficient capital has not been available or that, with existing restrictions and under present conditions, the available markets are inadequate for the productive capacity in a number of the principal industries. This maladjustment results from many causes and takes various forms. There is a maldistribution of plant and equipment. In those countries which participated actively in the war, plant in many industries was increased for military purposes beyond the scale of what is required in peace; in other countries, new plant was installed to produce goods which could not be imported during the war; and the experience of war deprivations has developed a desire on the part of a number of nations to make themselves self-sufficing. Moreover, the general impoverishment of Europe immediately after the war lessened savings and handicapped industry by reducing at once the purchasing power of its clientele and the possibility of financial assistance from European money markets.

Other causes have tended to a new distribution of manufacturing equipment; certain discoveries, for instance, have brought about a change in the use of raw materials or in the utilisation of sources of energy and a displacement of industrial centres. The normal development of certain repair and finishing industries in partially industrialised non-European countries, and the effort in Europe itself on the part of certain nations with rapidly growing populations to enlarge their industrial equipment with a view to providing work for an ever-increasing number of individuals, have operated in a like direction.

The war indirectly increased the influence of these causes of instability. It intensified the desire of various nations to work up in their own territories the raw materials they produced; it augmented the number and the magnitude of the obstacles placed in the way of the movement of goods by tariffs and prohibitions and of the movement of persons by immigration laws, by passport regulations and by restrictions on the right of establishment in the case of foreigners. Finally, the changes made in the structure of the economic organism as a result of alterations in frontiers, the laborious readjustment of international relations, and the insecurity of the financial and monetary situation have further

retarded or impeded the efforts by which the European nations have endeavoured to restore order in their industrial economic life.

Of these causes, some are no longer operative, though their effects may last after them. The danger of great immediate additions to equipment in industries where plant is already excessive is slight in the principal industrial countries; the will to save is being revived and the supply of capital grows steadily; exchange fluctuations are now confined to a few currencies and within much narrower limits than heretofore.

Other causes which were noticeable before the war, particularly the growth of industries in hitherto only partially industrialised countries, must be considered as permanent and in the new world situation susceptible of direction only within very restricted limits.

But it is on a third category of factors that the Conference, in accordance with its agenda, has had to concentrate its attention, namely those which by their nature can, in existing circumstances, be appropriately modified. Of these the most important are the restrictions and control of the movement of goods and persons and, above all, those which result from tariff, and commercial policy. Certain of these problems have been before the Commerce Commission, and we need not therefore elaborate further this aspect of the problem. It is enough now to say that, owing to the growing facilities for transport and the constantly increasing number of raw materials required for industrial production, the natural development of industry is towards greater international intercourse and larger international enterprises.

II. GENERAL CONSIDERATIONS

This report does not attempt to cover again the same ground as the documentation, which has caused great interest at the conference, with regard to the situation and difficulties in different industries, but is confined to the few principal questions on which the discussions of the Conference have been concentrated. The Commission took as its central problem the question of how costs of production, and therefore prices could be reduced, with the object of securing a better equilibrium between productive capacity and demand without adversely affecting the interests of the consumer or the worker. In particular, with this object in mind, it considered: (1) the question of rationalisation in its various aspects and in this connection, (2) international industrial agreements, and (3) the collection and exchange of information with regard to industrial conditions. It has been mainly preoccupied with the European situation, for it is that situation which at the moment presents the gravest difficulties and calls for the most careful consideration. The problems which arise and the recommendations submitted by the Conference are not entirely new. The need at the present time is to accelerate a process of evolution which has been operative for many years. That need has been intensified by the events of the last decade. To this end the moral prestige of the League, which has taken up these problems, the pre-

paratory work which has been carried on for many months with the aid of economists of the highest standing, and the interesting and full discussions of the Conference itself have certainly attracted the attention of the public and have imparted a new energy and impulse.

III. RATIONALISATION

The first of these problems is that of rationalisation, by which we understand the methods of technique and of organisation designed to secure the minimum waste of either effort or material. It includes the scientific organisation of labour, standardisation both of material and of products, simplification of processes and improvements in the system of transport and marketing.

The Conference has unanimously recognised the benefits of rationalisation and of scientific management, and it asserts the urgent need of greater, more far-reaching and better co-ordinated efforts in this field.

While conscious of the advantages of rationalisation, both in the lowering of costs of production and of prices and in expanding markets, the Conference has not been blind to the temporary unfavourable consequences which its application may involve in the case of certain categories of workers. Though, both directly and as consumers, the latter should in due course obtain their share of the advantages of a better organisation of production, they may be adversely affected for a time by temporary unemployment while readjustments are being made. In the following resolutions, special account is taken of the legitimate anxiety which may thus be occasioned.

In view of the importance of this question of rationalisation, the Conference considers it desirable that the Economic Organisation of the League should keep in touch with the institutions specially concerned with this subject, and should include a note of its development in its reports on industrial conditions.

Resolutions.

The Conference considers that one of the principal means of increasing output, improving conditions of labour and reducing costs of production, is to be found in the rational organisation of production and distribution.

The Conference considers that such rationalisation aims simultaneously:

- (1) At securing the maximum efficiency of labour with the minimum of effort;
- (2) At facilitating by a reduction in the variety of patterns (where such variety offers no obvious advantage) the design, manufacture, use and replacement of standardised parts;
- (3) At avoiding waste of raw materials and power;
- (4) At simplifying the distribution of goods;
- (5) At avoiding in distribution unnecessary transport, burdensome financial charges and the useless interposition of middlemen;

Its judicious and constant application is calculated to secure :

- (1) To the community greater stability and a higher standard in the conditions of life ;
- (2) To the consumer lower prices and goods more carefully adapted to general requirements ;
- (3) To the various classes of producers higher and steadier remuneration to be equitably distributed among them.

It must be applied with the care which is necessary in order, while at the same time continuing the process of rationalisation, not to injure the legitimate interests of the workers ; and suitable measures should be provided for cases where during the first stage of its realisation it may result in loss of employment or more arduous work.

It requires, further, so far as regards the organisation of labour in the strict sense of the term the co-operation of employeés, and the assistance of trade and industrial organisations and of scientific and technical experts.

The Conference accordingly recommends that Governments, public institutions, trade and industrial organisations or public opinion as the case may be :

(1) Should lead producers to direct their endeavours along the lines indicated above, and, in particular :

- (a) To encourage and promote in every way the investigation and comparison of the most adequate methods and most practical processes of rationalisation and of scientific management, and of the economic and social results obtained thereby ;
- (b) To apply these endeavours in industry, agriculture, trade and finance, not merely to large but also to medium, and small undertakings, and even to individual workers and handicrafts men, bearing in mind the favourable effects which they may have in household organisation and amenities ;
- (c) To give special attention to measures of a kind calculated to ensure to the individual the best, the healthiest and the most worthy employment, such as vocational selection, guidance and training, the due allotment of time between work and leisure, methods of remuneration giving the worker a fair share in the increase of output, and, generally, conditions of work and life favourable to the development and preservation of his personality ;
- (2) Should carry on systematically on an international as well as a national basis the standardisation of materials, parts and products of all types which are of international importance, in order to remove the obstacles to production and trade which might arise from a purely national policy of standardisation ;
- (3) Should undertake on an international basis investigations for ascertaining the best methods employed and the most conclusive results obtained in every country in the application of the principles

set out above, utilising the investigations already made in certain countries and encouraging the exchange of information among those concerned;

(4) Should spread in all quarters a clear realisation of the advantages and the obligations involved in rationalisation and scientific management as well as of the possibility of their gradual achievement.

IV. INTERNATIONAL INDUSTRIAL AGREEMENTS¹

The Conference has examined with the keenest interest the question of industrial agreements, which have recently considerably developed and have attracted close attention from those sections of the community whose interests are affected by them and from the public opinion of the various countries.

The discussion has revealed a certain conflict of views and has occasioned reservations on the part of the representatives of different interests and countries. In these circumstances, the Conference has recognised that the phenomenon of such agreements, arising from economic necessities, does not constitute a matter upon which any conclusion of principle need be reached, but a development which has to be recognised and which, from this practical point of view, must be considered as good or bad according to the spirit which rules the constitution and the operation of the agreements, and in particular according to the measure in which those directing them are actuated by a sense of the general interest.

The Conference considers that the field of operation for agreements, both national and international, is usually limited to branches of production which are already centralised and to products supplied in bulk or in recognised grades, and that, consequently, they cannot be regarded as a form of organisation which could by itself alone remove the causes of the troubles from which the economic life of the world and particularly of Europe is suffering.

Nevertheless, in certain branches of production they can—subject to certain conditions and reservations—on the one hand, secure a more methodical organisation of production and a reduction in costs by means of a better utilisation of existing equipment, the development on more suitable lines of new plant, and a more rational grouping of undertakings, and, on the other hand, act as a check on uneconomic competition and reduce the evils resulting from fluctuations in industrial activity.

By this means they may assure to the workers greater stability of employment and at the same time, by reducing production and distribution costs and consequently selling prices, bring advantages to the consumer. It is generally recognised that in this way agreements may in some cases be useful not only to producers but also to consumers and the community in general.

Nevertheless, the Conference considers, on the other hand, that such

¹ The Members of the U.S.A. Delegation, while not opposing, did not feel able to participate in the vote on this subject.

agreements, if they encourage monopolistic tendencies and the application of unsound business methods, may check technical progress in production and involve dangers to the legitimate interests of important sections of society and of particular countries.

It consequently appears to the Conference that it is entirely necessary that agreements should not lead to an artificial rise in prices, which would injure consumers, and that they should give due consideration to the interests of the workers. It is further necessary that they should not, either in intention or effect, restrict the supply to any particular country of raw materials or basic products, or without just cause create unequal conditions between the finishing industries of the consuming and producing countries or other countries situated in the same conditions. Nor must they have for their object or effect any reduction in the economic equipment which any nation considers indispensable, nor should they stereotype the present position of production, whether from the point of view of technical progress or of the distribution of industries among the various countries in accordance with the necessities imposed upon each by its economic development and the growth of its population.

* * * * *

The Conference considered the question whether there was ground for establishing a special juridical regime and a system of supervision over agreements.

The documentation resulting from the labours of the Preparatory Committee shows that specific legislative or administrative measures in this direction have been taken by a limited number of countries only and that the measures adopted are widely divergent both in conception and form.

The Conference recognised that, so far as regards agreements limited to the producers of a single country, it is for each Government to adopt such measures in regard to their operation as it may think advisable. It agreed, however, that it is not desirable that national legislation should place an obstacle to the attainment of the benefits which agreements might secure by exhibiting a prejudice against them as such.

So far as regards international agreements, it is generally recognised that the establishment of an international juridical regime is impossible in view of the divergencies between the measures which various countries have considered it necessary to take in the matter, and on account of the objections of principle which a number of States would feel on national and constitutional grounds to any such system. It has, moreover, been pointed out that the laws and regulations and the tribunals of each country have jurisdiction not only over national agreements but also over international agreements in so far as they involve operations within the national territory.

On the other hand, it is desirable that voluntary recourse by parties to agreements to arbitral bodies should become general, subject to

guarantees of the high competence of the latter in economic matters and their sense of the general interest.

From a more general standpoint, the Conference considers that the League of Nations should closely follow these forms of international industrial co-operation and their effects upon technical progress, the development of production, conditions of labour, the situation as regards supplies, and the movement of prices, seeking in this connection the collaboration of the various Governments. It should collect the relevant data with a view to publishing from time to time such information as may be of general interest. The Conference is of the opinion that the publicity given in regard to the nature and operations of agreements constitutes one of the most effective means, on the one hand, of securing the support of public opinion to agreements which conduce to the general interest and, on the other hand, of preventing the growth of abuses.

V. INDUSTRIAL INFORMATION

It will be seen from the above analysis that the Conference attached special importance to the spirit which animates the leaders of industry and those who are responsible for its organic development. The provision of precise, complete and up-to-date information concerning production can only tend to develop in them a sense of the social service which their functions involve. At the same time, it should help the public to form a collective opinion which is at once well informed and reasonable. It is equally important to the industrialists themselves that they should be kept fully and accurately informed both of the development of their own industries and of the broader changes which take place in general industrial activity.

The Conference has had before it a series of monographs on certain industries of basic importance which has enabled it to obtain an accurate view of the character of the present situation of industry in the world. These memoranda, whose compilation has been rendered possible by the readiness with which industrial organisations in different countries have collaborated in the work and by the care and time which they have devoted to it, and also the monographs written by economists of wide reputation and those submitted to the Conference by a number of its members summarising the position and views of several of the delegations, should not be held to represent the last word in the questions under review. They should be regarded as a starting-point for the studies which it is hoped will be conducted in the future. It is essential to encourage the work already in progress, to promote, as far as possible, a common policy with reference to the manner in which information concerning industrial activity is compiled, and to urge both the national statistical bureaux and the Economic Organisation of the League to devote even more attention than heretofore to the collection of statistical data which shall be of use not only to Governments and experts but also to the business world.

The Conference decided that the information to be collected should cover all the principal industries of every country, but especially and in the first place those industries which are of world importance.

As to the channels through which these statistics might be collected and communicated, the Conference makes no specific recommendations to Governments. It considers, however, that accurate and internationally comparable data can hardly be collected without the assistance of the competent organisations of the industries concerned. While emphasising the value of comprehensive information, the Conference desires to draw attention to the necessity of adequate measures being taken to secure secrecy of individual returns. Finally, while urging the League to encourage the conclusion of international agreements as to the terms employed, the scope, and the methods of compilation of industrial statistics, the Conference is anxious to link up this work of systematisation with the similar work which may be undertaken with a view to the unification of Customs nomenclature.

Resolutions.

I. The Conference considers that :

(1) Effective and co-ordinated production can only be achieved in the light of information of a general character, but precise and up-to-date, concerning raw material supplies, output, stocks, prices, wages, employment, etc. ;

(2) It is desirable that these current data should make it possible to compile for each country with sufficiently developed industries quantitative indices of its industrial production ;

(3) Such information facilitates a proper adjustment of supply to demand and the laying-down of a policy of production counteracting the effects of fluctuations of commercial activity.

In this connection, attention may be drawn to the resolutions which have already been adopted by the Economic Committee of the League of Nations.

The Conference accordingly recommends :

(1) That statistics of this kind should be obtained regularly, for each country, both for the basic world industries and also, in order to render possible the compilation of quantitative indices of national production, for the chief industries of each country ; and that this information should be obtained, as far as possible, in collaboration with competent organisations ;

(2) That Governments should periodically take complete industrial censuses.

II. The practical value of such statistics is dependent on the comparability and uniformity of the data furnished by each State.

It is desirable that adequate publicity be given to this information, and that it may be internationally co-ordinated and employed.

The Conference accordingly recommends :

(1) That the Economic Organisation of the League of Nations should take all suitable measures so that Governments, in collaboration with the chief industries, should arrive at international agreements with reference to the definition of the terms, the methods employed, and the scope of the statistics ;

(2) That the Economic Organisation of the League of Nations should collate the information provided referring to sources and supplies of raw materials, production, stocks, prices, etc., and the International Labour Office that concerning wages, hours of labour, employment, etc. ;

(3) That the Economic Organisation of the League of Nations should arrange for the compilation of :

- (a) Statistical and general reports of an international character with reference to the organic development and the general conditions obtaining in different branches of production, beginning with the basic world industries ;
- (b) Special studies concerning the sources of supply of certain types of raw materials, more especially of those a world shortage of which in the future may be anticipated ;
- (c) Reviews, similar to those which have already been published, of the changes which take place in world production and trade.

4. AGRICULTURE

I. INTRODUCTION

Agriculture is the occupation of the majority of workers throughout the world ; its various products represent in value the greater part of human labour, and the exchange of its products against industrial products forms, indeed, the basis of world trade.

The agricultural population remains for humanity a reservoir of energy capable of preserving the nations from the rapid human wastage which may result from any excessive growth of industry.

The quantity of foodstuffs and raw materials produced by agriculture is one of the factors which determine the maximum limit of industrial development.

The interdependence existing between nations is no less close between the main classes of occupations—agriculture, industry and commerce—and it would be vain to hope that one class could enjoy lasting prosperity independently of the others.

Agriculture is at present hampered in the complete fulfilment of the economic role assigned to it by a general depression varying in degree but affecting a large number of countries on which the world depends for its supply of foodstuffs and raw materials.

The economic depression in agriculture is characterised by the disequilibrium which has arisen between the prices of agricultural products and those of manufactured products ; as a result, agriculturists in a great number of countries no longer receive a sufficient return for their

labour and on their capital. This depression is aggravated in many countries by the difficulty of obtaining credit on normal terms and by the great increase in fiscal charges; while it has led to a decrease in the purchasing power of agriculturists, consumers have not, in all cases, benefited by a fall in the price of foodstuffs.

The diminution in the purchasing power of the agricultural population has reacted upon industrial production, and is consequently one of the causes of unemployment, which in its turn reduces the outlets for agricultural products.

Unless practical measures are taken to restore the price equilibrium, it is to be feared that sooner or later there will be a diminution in agricultural production detrimental to the welfare of mankind.

Technical means exist, however, for a considerable development of agricultural production. They must therefore be put into operation. Their general adoption would have the most beneficial consequences for the prosperity and economic peace of the world.

II. GENERAL RESOLUTIONS

1. The Conference regards as a vital economic question the increase of agricultural production, and, with this in view, the placing of agriculture on an equal footing with industry by enabling all those engaged in agriculture to obtain a satisfactory standard of living and a normal return for their labour and on their capital.

It is important that this necessity should be brought home to public opinion, which does not always realise the true situation of agriculture and too often regards it as an industry of secondary importance.

2. The improvement of agriculture must in the first place be the work of the agriculturists themselves. The general adoption of technical improvements, the scientific organisation of production and stock-breeding, of the campaign against the diseases and the enemies of plants and animals, of marketing, of the standardisation of agricultural products in the interests both of the producers and consumers, of the search for outlets, and of credits and insurance, will permit agriculturists to reduce their costs of production in their own interests and to the benefit of consumers.

Owing to the considerable number of small and medium-sized agricultural undertakings—the tendency towards concentration displayed in industry being absent—the organisation of agriculturists should be continued along the lines of association and co-operation which have already been tested in many countries; it may with advantage be supplemented by agreements between agricultural and consumers' co-operative societies.

It is to the interest of Governments to encourage agriculture and the agricultural associations which have as their object the improvement of the situation of the agricultural population. In particular, the creation and development of mutual credit would be greatly facilitated by Government assistance.

The Conference draws the attention of the Governments to the fact that high rates of interest and heavy taxation hamper production.

3. Other measures to be contemplated depend chiefly on legislative action. In particular, the Conference is of opinion that social laws ensuring the welfare and security of workers should benefit agriculturists no less than industrial workers and employees, it being understood that such laws must be adapted to the special requirements of agriculture and to the special living and working conditions of rural populations. It is also of the opinion that agricultural instruction at all stages and the technical training of agriculturists should receive the attention of the different Governments as well as of agricultural associations.

4. It is desirable that all hindrances to the free circulation of and trade in agricultural products should be removed, in so far as their removal does not endanger the vital interests of the different countries and their workers.

In those States in which Customs protection is maintained, it should be reduced, both for industry and agriculture, to the lowest possible point indispensable to production; care should be taken to assist in the maintenance of an equitable balance between industry and agriculture and not to stifle one to the advantage of the other.

The system of export prohibitions and export duties (with the exception of taxes levied for the benefit of the industry concerned) and frequent changes in Customs tariffs, which long experience has shown to be ineffectual and dangerous, should be definitely abandoned.

5. The agriculturist should find his just remuneration not through speculation but in the regularity of prices, permitting him to reckon on a legitimate return equivalent to that accorded to other producers.

6. Since, finally, the policy pursued in industrial or commercial questions reacts on the economic situation of agriculture, and *vice-versa*, the Conference requests the League of Nations to ensure that in all its organisations already existing or to be formed which are or may be entrusted with economic questions, a place be always reserved for agriculture proportionate to its importance as a social and economic factor.

III. SPECIAL RESOLUTIONS

In addition to the general resolutions formulated above, the Conference draws the attention of the League of Nations to the following points:

1. Agricultural Co-operation: Relations between Agricultural Co-operative Societies and Consumers' Co-operative Societies.

(i) The agriculturists of the different countries contribute to the improvement of their standard of living and to the general prosperity by utilising to an increasing extent all forms of co-operation: co-operative supply societies, either for the technical or domestic requirements of members; co-operative selling organisations for the regular marketing of products; producers' co-operative societies for the intermediate

processes between the production of the raw material and the sale of the finished product; co-operative credit societies to meet the need for capital (bringing equipment up to date, improving the cultivation of the soil, storage of products).

Co-operative institutions thus increase the purchasing power of agriculturists both as producers and as consumers. At the same time, they further economic progress both by increasing productivity and improving quality and also by making it possible to utilise fully the products of the soil and their by-products. Lastly, they assist the organisation of markets by methods which reduce to a minimum the costs of distribution.

(ii) Agricultural co-operative societies will contribute to a still greater rationalisation of economic life in proportion as they develop their relations with the consumer's co-operative societies. Direct commercial relations between producers and consumers, and between associations of producers and of consumers, eliminate superfluous intermediaries, and, when they are sufficiently widespread, result in the establishment of prices which are advantageous to both parties. In addition to material profit, there is a moral advantage; by direct commercial relations producers and consumers learn to know each other and to take account of the special characteristics and requirements of the other party. The producers' and consumers' co-operative societies learn to appreciate the value of direct relations in accordance with their common principles. The clear realisation of the possibility of mutual collaboration and mutual confidence in business transactions are essential to a practical solution of the question of direct commercial relations between producers' agricultural co-operative societies and consumers' co-operative societies—a question which has for a long time past been settled in theory.

The efforts made to achieve practical results should be furthered on the part of agriculture by the production of articles of specific quality and uniform type; on the part of the consumers' co-operative societies by the determination to buy agricultural produce as far as possible from the agricultural producers' co-operative societies; on the part of States and of public authorities by supporting the co-operative movement through the creation of chairs at universities or of other scientific institutions, the institution of public courses dealing with the co-operative movement and by a fiscal policy of abstention from discriminatory measures against co-operative societies.

Effective collaboration, if need be in the form of common undertakings, will be the easier of realisation if the producers' and consumers' co-operative societies of the different countries are already nationally organised in common economic committees.

To ensure the normal development of co-operation in all the branches in which it exercises its activities, it is extremely important that the laws which govern co-operation should be unified where such is not yet the case, and should impose the fewest possible obstacles.

(iii) International agreements between co-operative agricultural organisations with regard to a number of products might be of value in placing markets on a sound basis, in regularising production and in stabilising prices at levels satisfactory from the point of view of the balance between production and consumption. Such international agreements, to attain their aims, require loyal collaboration with the national and international co-operative consumers' organisations by the establishment of regular business channels and long-term contracts.

(iv) These efforts of agricultural and consumers' co-operative organisations should be encouraged and furthered by the creation of a committee representing national and international co-operative organisations of agriculturists and of consumers—a committee which should be entrusted with the establishment of a programme of research and documentation, as well as with the task of elucidating the lessons taught by past experience, with a view to bringing about new achievements.

2. *Agricultural Credit.*

The increase of agricultural production is intimately bound up with the organisation of agricultural credit, which will place at the disposal of agriculturists the necessary capital on favourable terms.

Certain countries have at their disposal sufficient capital for agriculture, but in many countries adequate provision for agricultural credit has not yet been made, either because saving has been diminished by the general economic conditions or because the appropriate organisations have not yet been constituted.

Such a position is seriously harmful to agriculture in the countries in question, since it prevents agriculturists from increasing their harvests, from exploiting their land to the full extent, from securing lower costs of production and from providing for contingencies arising from the very nature of agricultural production by the use of suitable equipment or of a reserve working capital.

The first condition for surmounting these difficulties is the organisation of suitable credit institutions in those countries where they do not yet exist and their development where they are already in existence. The best form of institution appears to be the co-operative credit society operating by means of resources which the very fact of association enables it to procure and to increase with or without the assistance of the public authorities.

It is, moreover, by the co-operation of national organisations that the necessary effective guarantees for appeals for credit, whether national or international, can be most easily procured.

Having had laid before it by several of its members schemes with regard to the setting up of an international organisation capable of increasing the resources available for agricultural credits where they are as yet insufficient;

But having heard observations on that question based chiefly on the

elementary consideration that credit must be secured by effective guarantees ;

And being aware of the fact that the International Institute of Agriculture is collecting special information on the question of agricultural credits :

The Conference requests the League of Nations to give full consideration to the documentation of the International Institute of Agriculture with a view to examining the possibility of international collaboration in respect of agricultural credits in whatever form may be found from experience to be most suitable with a view to promoting the recovery of agriculture where agriculture is short of capital.

3. Campaign against Diseases affecting Plants and Animals.

Diseases which affect plants and animals diminish agricultural production, and should be scientifically combated, on the basis of an international plan and international agreements.

This international campaign has already been admitted in principle by forty-three nations which have set up an "International Epizootic Office," and the International Institute of Agriculture is proposing to convene a special conference to bring about united international action in connection with phytopathology.

International agreements which establish sanitary supervision, if they provide the contracting countries with adequate guarantees, should, without infringing sovereign rights, remove from the regulations any suspicion of disguised protection and should add to the stability of trade relations, which is one of the conditions of successful production.

4. Agriculture in Colonies.

The Conference recommends that an investigation be made into the best means of encouraging agriculture among the indigenous inhabitants in colonies and especially in tropical and sub-tropical colonies, in order to augment the prosperity of the indigenous inhabitants of those countries and to increase the general wealth.

5. Forestry.

The Conference recommends that a special study should be made of the resources and the exploitation of forests in order to assure the regular satisfaction of the needs of industry.

6. Documentation on Agricultural Questions.—Statistics.—Enquiry.

(i) Great as is the value of the documentation which has served as the basis for the discussions on agriculture, it must be acknowledged that there is not yet a sufficient foundation to permit of a complete analysis of all the problems or to suggest a solution of them.

The fundamental importance of agriculture demands an exact knowledge of its economic situation. Such knowledge can only be gained satisfactorily through a methodical analysis of farm accounts. Such researches would bring about a general improvement in agriculture. They would facilitate the mutual understanding between the nations, and the common interests of the agriculturists of all countries would

thereby be interpreted with precision. Finally, a better understanding would be created between the producer and the consumer.

To achieve this purpose, it is desirable that in the different countries an exact system of farm accounting should be formulated. These accounts should be drawn up in every country as simply as possible, but by the method ensuring the greatest guarantee of accuracy, so as to obtain comparable results for the different kinds of agricultural enterprises in any country, classified by climate, nature of soil, size of holding, systems of cultivation, principal crops grown etc., and so as to make it possible to study the influence exerted on the net return of agriculture by the factors of greatest importance in production and returns (wages, quantities of chemical fertilisers consumed, taxation and social charges, prices, indebtedness of agriculturists, etc.).

It is therefore recommended that a committee of experts be established charged with the study and preparation of the requisite measures.

(ii) The Conference considers it necessary that a better service of periodical agricultural statistics should be instituted, especially as regards live-stock and animal products. The data collected by the International Institute of Agriculture show that, during the last twenty-five years, only thirty-seven countries, representing less than half the total area and about 30 per cent of the population of the world, have as yet proceeded to the compilation of an agricultural census.

A world agricultural census on the lines proposed by the International Institute of Agriculture would make it possible to give to the statistical data of the different countries a character of uniformity which up to the present they have lacked.

It is no less necessary to organise, nationally and internationally, the speedy transmission to agriculturists of information on harvests, stocks, consumption, and the movements of different commodities, these being important factors in the formation of prices. The monthly publication of indices of comparative prices of agricultural products and industrial products would prove of great value, as would indices of the principal elements of the costs of production of agricultural products.

(iii) The Conference requests that all Governments should be invited to initiate a general inquiry into the present situation and the possibilities of developing agriculture, the distribution of holdings and the systems of exploitation, into the relations between agricultural and industrial production, into the comparison between agricultural and industrial prices, into the costs of production and selling prices, into the condition of the workers and into the facilities required for their access to the land, etc.—in fact, into the economic, social, financial and technical conditions of agriculture the study of which will permit further progress to be made.

5. GENERAL RESOLUTIONS

(a) ECONOMIC TENDENCIES AFFECTING THE PEACE OF THE WORLD

The Conference:

Recognising that the maintenance of world peace depends largely

upon the principles on which the economic policies of nations are framed and executed :

Recommends that the Governments and peoples of the countries here represented should together give continuous attention to this aspect of the economic problem, and looks forward to the establishment of recognised principles designed to eliminate those economic difficulties which cause friction and misunderstanding in a world which has everything to gain from peaceful and harmonious progress.

(b) EDUCATION AND PUBLICITY

The Conference recognises that the reception and successful application of the principles stated in the resolutions of the Conference depend, not only upon the good-will of Governments and Administrations, but upon an informed and supporting public opinion throughout the world, and for this purpose would welcome, in the economic as in other fields, the development of closer international co-operation by scientific and educational institutions, as well as the help of the Press and other agencies of importance, for the information and enlightenment of the public.

(c) ARMAMENT EXPENDITURE

Whereas the world as a whole still devotes considerable sums to armaments and to preparations for war, which reduce the savings available for the development of industry, commerce and agriculture, are a heavy burden upon the finances of the different States, entailing heavy taxation which reacts upon their whole economic life and lowers their standard of living.

The Conference :

Expresses the earnest hope that all efforts to effect, by agreements between States, limitation and reduction of armaments, and particularly those under the auspices of the League of Nations, will have successful results and thus alleviate the burdens described above.

(d) PACIFIC COMMERCIAL CO-OPERATION OF ALL NATIONS : APPLICATION OF RESOLUTIONS TO THE U.S.S.R.

The Conference :

Recognising the importance of a renewal of world trade ;

Refraining absolutely from infringing upon political questions :

Regards the participation of members of all the countries present, irrespective of differences in their economic systems, as a happy augury for a pacific commercial co-operation of all nations.

It is, of course, understood that, the members of the U.S.S.R. having declared that they are in favour of the resolutions in the list reproduced below, the remaining resolutions of the Conference will not be regarded as having effect as regards the U.S.S.R.

(e) ECONOMIC ORGANISATION OF THE LEAGUE OF NATIONS

The Conference wishes in the first instance to express its high appreciation of the work of the Economic Committee and the Secretariat of the League.

The Conference is of opinion that the success of its work will depend upon the execution of the principles laid down.

With regard to the action to be taken on its recommendations, the Conference, while offering no suggestion as to a permanent organisation, cannot do better than draw the Council's attention to the well-balanced composition of the Preparatory Committee, which has yielded excellent results in the preparatory work for the Conference.

LIST TRANSMITTED TO THE SECRETARIAT BY THE MEMBERS OF THE
U.S.S.R. DELEGATION

The delegation of the U.S.S.R. votes *for* the following resolutions :

Commerce.

II. Customs Tariffs.

No. 1.—Simplification of Customs tariffs.

No. 2.—Unification of tariff nomenclature, with the reserve that the U.S.S.R. cannot associate itself with the invitation to the League of Nations.

No. 4.—Application for tariffs.

No. 5.—Customs formalities.

No. 6.—Trade statistics.

III. Commercial Policy and Treaties.

No. 2.—Fiscal charges imposed on imported goods.

No. 4.—Commercial treaties, with the reserve concerning the invitation to the League of Nations.

IV. Indirect Means of Protecting National Trade and National Navigation.

No. 1.—Subsidies, direct or indirect.

No. 2.—Dumping and anti-dumping legislation.

Industry.

The U.S.S.R. delegation, while in agreement with the principles underlying the proposals put forward in the resolutions of the Industry Committee concerning "Information," *abstains* from voting for the draft resolution concerning "Information," because the U.S.S.R. proposal to entrust this work to the International Institute of Statistics of The Hague was rejected.

Agriculture.

The U.S.S.R. delegation votes *for* the special resolutions :

3.—Campaign against the diseases affecting plants and animals.

5.—Forestry.

6.—Documentation on agricultural questions, statistics, enquiry.

Note.—The members of the U.S.S.R. declared that they are in favour also of the resolutions enumerated below. They accompanied their adhesion by a declaration contained in the *Verbatim Record of the Conference*.

The resolutions in question are the following :

- (a) Economic tendencies affecting the peace of the world ;
- (b) Education and publicity.
- (c) Armament expenditure ;
- (d) Pacific commercial Co-operation of all Nations.—Application of Resolutions to the U.S.S.R.

III. EXTRACT FROM THE MINUTES OF THE MEETINGS OF THE COUNCIL

Held at Geneva on June 16th, 1927

Present: The following representatives of the Members of the Council:

Sir AUSTEN CHAMBERLAIN (*President*) (British Empire).
 M. VANDERVELDE (Belgium).
 M. VILLEGAS (Chile).
 M. CHAO-HSIN CHU (China).
 M. URRUTIA (Colombia).
 M. BENESI (Czecho-Slovakia).
 M. LOUCHEUR (France).
 Dr. STRESEMANN (Germany).
 M. SCIALOJA (Italy).
 Viscount ISHII (Japan).
 JONKHEER BEELAERTS VAN BLOKLAND (Netherlands).
 M. SOKAL (Poland).
 M. PETRUSCO COMNENE (Roumania).
 M. YUDICE (Salvador).
 Sir ERIC DRUMMOND (*Secretary-General*).

REPORT ON THE WORK OF THE INTERNATIONAL ECONOMIC CONFERENCE

Dr. STRESEMANN read the following report:

"The World Economic Conference, which was convened in pursuance of the Assembly's decision of September 24th, 1925, on the proposal of the French delegation, held its meetings from May 4th to 23rd under the eyes of the statesmen, the economists, the business-men and the public of the whole world; the ground was first admirably prepared by the Preparatory Committee and the Secretariat. The results of the Conference are comprised in a Report which is already in the hands of the Council (document C.E.I.44).

"It is a great privilege to me to bring officially to the attention of my colleagues on the Council the results of one of the most remarkable and successful Conferences ever convened by the League of Nations.

"The Conference was given the task of setting forth in clear and unambiguous terms the nature of the difficulties and evils of the present world economic situation, and of pointing out the way in which these difficulties could be removed or mitigated by international co-operation, with due regard to the exigencies of national life.

"In the opinion of observers in all countries, the achievements of the Conference in this direction have been of the highest importance. This is not because they have revealed to Governments or students of economics, facts or remedies of which they were unaware, but because a large number of eminent experts, drawn from all countries of the world, have condensed in unanimous resolution the results both of their studies and of their practical experience, indicating at the same time the different paths which might lead to an improvement of prevailing conditions.

"It was natural that the attention of the experts should first have been drawn to the economic situation of Europe, which during and since the war has been more severely tried than any other part of the globe; but they did not lose sight of the reaction of the difficult European situation on that of other continents and they gave close attention to a large series of general problems equally important for all parts of the world.

"The resolutions of the Conference are mainly concerned with questions of commerce, industry and agriculture.

"Commerce is, *par excellence*, a matter of international concern. It is at the same time largely influenced both by the independent action of States and by their treaty relations with each other. It is not, therefore, surprising that the Conference gave the problems of international commerce the foremost place. In this important field the Conference recognised in principle the necessity of liberating international trade from all artificial barriers and obstacles, especially those which arise from high Customs duties.

"*The Conference declares that the time has come to put an end to the increase in tariffs and to move in the opposite direction.*

"These are momentous words, involving as they do a whole programme of work which can only advance by progressive steps towards realisation. The means to this end lie first of all in the simplification and unification of the mechanism of tariffs, in striving for greater stability in Customs duties, in the introduction of improved methods of treaty-making, and, finally, in the gradual reduction of tariff burdens.

"Three roads lead towards this goal: individual action by States with regard to their tariffs; bilateral action through the conclusion of suitable commercial treaties; and, lastly, international concerted action. The importance of international co-operation in this field is strongly underlined by the Conference and it is just this part of the work which falls within the province of the League of Nations and its economic organs.

"In the sphere of *industry*, special emphasis is laid on reduction of the cost of production by the study and application of the best methods of economic stabilisation. The importance of international industrial agreements for the promotion of general commercial interests in certain industries is admitted, subject to conditions and safeguards which are clearly set forth.

"In regard to the requirements of *agriculture*, the Conference sees a possibility of effecting an improvement, particularly by the use of better methods, the development of the co-operative system and an improved organisation of credit institutions.

"There seems no reason for me to discuss the general report of the Conference in greater detail, since all members of the Council are already familiar with the report itself.

"In almost everyone of its resolutions, whether they be con-

cerned with commerce, industry or agriculture, the Conference has made suggestions or recommendations for further work to be undertaken by the League of Nations in promotion of the aims which the Conference has pursued.

"The Report in your hands will soon show you that the tasks which the Conference has bequeathed to the League of Nations are both numerous and varied. They will require continuous, methodical and expert study for their accomplishment. The Council will therefore, at a suitable moment, have to consider the advisability of modifying or supplementing its Economic Organisation in order to adapt it to its new tasks.

"Yet I am inclined to think that it would still be premature to embark to-day on a discussion of this important problem, and I would propose that we adjourn its discussion till the September session. But, in the meantime, I hope that the Economic Committee and the Secretariat will get forward as far as possible with their task; they can, for example, at once begin to outline and prepare the future plan of action, especially in connection with Customs tariffs.

"Finally, I want to remind you that the Diplomatic Conference convened for October 17th in Geneva with the object of drawing up a convention for the suppression of important export prohibitions should, with the full support of the Governments, be an important step in the execution of the recommendations of the Conference.

"I should like to add a few remarks. As the Council will remember, the Conference consisted of nearly 200 members (with about as many experts) of 50 different countries, who, with a few exceptions, were appointed by Governments and represented every possible qualification, interest, and point of view.

"Many of us must, I think, have feared, when we decided to convene a large Conference so composed, that the complex and controversial character of the economic problems and the varied composition of the Conference might well make it impossible to arrive at unanimous recommendations which would have any real force and substance in them. Fortunately, the Report which we have before us shows that any such danger, real though it was, has been successfully avoided. We have in this Report recommendations not only unanimous but enthusiastic; covering the most far-reaching principles and proposals on the central questions of economic and commercial policy. We owe this result not only, in my view, to the way in which the actual members of the Conference conducted their work, but to the fact that they felt themselves to be expressing a real and strong demand from all parts of the world.

"These recommendations are, however, the beginning and not the end of the real task to be accomplished. The President, M. Theunis, I was glad to see, in his concluding speech, reminded the members of the Conference of the personal moral engagement which each of them had assumed in voting for the recommendations to do his utmost to secure that they were adopted and put into practice.

"I am sure that we on this Council, at whose invitation the members of the Preparatory Committee worked for a year before the Conference began and at whose request the Governments of the world appointed the members of the Conference itself, will feel at least an equally strong moral engagement to do everything in our power to see that these recommendations are embodied in the actual economic and commercial policies of the Governments of the world, and particularly those which each of us directly represents on this Council.

"I have no doubt, too, that all who have taken part in the work of the Conference and its preparation will continue to give it their unabated support.

"I am glad to know, for example, that the International Chamber of Commerce is about to have its biennial Congress at Stockholm at which the problem of the best methods for carrying out the recommendations of the Conference will receive its closest attention.

"Finally, I beg to remind you that the heavy and difficult task which falls on the Economic Organisation of the League as a result of this Conference can only be successfully carried out if full support is given to this body by Governments and organisations and by all men of goodwill.

"Before closing this report, I feel it to be both a duty and a pleasure to express the thanks which are due from the Council to all the members of the World Economic Conference for their able, industrious and successful work. We owe an especial measure of thanks and recognition to M. Theunis, the President of the Conference, whose brilliant leadership and energy made it possible to bring a work of such extraordinary importance to a conclusion in the short space of three weeks.

"We have also a debt of gratitude towards the industrial organisations of the various countries as well as to the international organisations which have largely contributed to the preparatory work of the Conference, in particular the International Labour Office, the International Chamber of Commerce and the International Institute of Agriculture.

"The untiring activity of the Secretariat and, in particular, of the Economic Section has certainly been a valuable asset in contributing towards the success of the Conference.

"I have the honour to propose to the Council the following resolution :

"The Council takes note of the Report of the World Economic Conference ;

"(1) Tenders its most cordial thanks to the President, M. Theunis, to all Members and Experts present at the Conference, as well as to all Organisations and individuals who have assisted in its preparation ;

"(2) Considers that the Conference has fully carried out its task of setting forth the principles and recommendations best fitted to contribute to an improvement of the economic situation of the world and in particular to that of Europe, thus contributing at the same time to the strengthening of peaceful relations among nations ;

"(3) Invites therefore all countries and Governments to give to

these principles and recommendations their close attention and the active support necessary to facilitate their adoption and application ;

" (4) Reserves for examination at its next session the changes that might prove desirable in the Economic Organisation of the League of Nations in view of the results of the Conference, and invites the Economic Committee in the meantime to meet in extraordinary session in order to begin at an early date a preparatory study of the resolutions of the Economic Conference as regards Customs tariffs, and more particularly as regards the unification of tariff nomenclature."

DECLARATIONS OF THE MEMBERS OF THE COUNCIL

JONKHEER BEELAERTS VON BLOKLAND said he was happy to associate himself with the tribute which had just been paid by the distinguished Rapporteur to the work of the Economic Conference. Public opinion in his country had noted with keen satisfaction that the economic disarmament referred to in the resolutions adopted at the Conference constituted a new stage towards the consolidation of good relations between the nations, which was one of the principal guarantees of world peace.

The Government of the Netherlands would consider it to be its duty to study thoroughly the recommendations made by the Conference and the necessary measures for ensuring their execution. His Government would all the more eagerly undertake this work as it had continuously, up to the present, in spite of increasing difficulties, been inspired by the principles which formed the basis of the recommendations of the Conference. The unanimous approval given to these principles in Geneva justified the hope that the period of theoretical discussion would soon be followed by a period of practical realisation.

M. SCIALOJA said that, when M. Loucheur had taken the initiative in proposing the Economic Conference, many people had been sceptical, as people usually were when any good work was undertaken. The reply of the Conference to all the sceptics had been the best possible reply, since, in the midst of very serious difficulties, it had succeeded in taking decisions which it had been possible for the States present at the Conference generally to accept and which therefore might be usefully applied in international practice in the near future.

He believed that the Council would be unanimous in expressing its gratitude to the originator of the Conference, and to all those who had taken part. The result obtained was due, in his opinion, largely to the good organisation of the Conference and to the skill and diligence of the Economic Section of the Secretariat. Without these factors, the Conference would perhaps still be in session and would be running the risk of continuing its work to no purpose.

He had no observations to make on the proposal which the Rapporteur had submitted. The Italian Government would consider it most favourably. He would, however, be sorry if the last part of that proposal should lead the Council into what appeared to him to be a mistake. This

part of the proposal contemplated an economic re-organisation of the League of Nations. M. Scialoja did not clearly understand what that might mean. In any case he would draw the attention of the Council to the fact that the Economic Organisation of the League of Nations could not be deprived of its fundamental basis, which consisted in its being a group of nations, a group of representatives of Governments to which representatives of the most important economic organisations of the world might be attached. If the Council desired to achieve results which were really useful and practical, as indicated, for example, at the end of the resolution in respect of Customs tariffs, the fact must not be lost sight of that this organisation of the League of Nations must be fundamentally an organisation of States.

He had no other observation to make. His sole object was to obtain a personal explanation as to the meaning of the words contained in the fourth paragraph of the resolution.

M. VANDERVELDE said that it was hardly necessary to emphasise the importance of the report and the conclusions which had just been submitted by Dr. Stresemann. As was mentioned in the report, the Economic Conference had been convened on the initiative of the French delegation, which was represented at that moment by its most active originator, M. Loucheur. The Conference had been presided over—and this was a great honour for Belgium—by one of the most distinguished of his own compatriots—M. Theunis, to whom Dr. Stesemann had paid a just tribute. The report on the Conference was submitted by the representative of Germany under the presidency of Sir Austen Chamberlain, representative of the British Empire. Thus the majority of the great countries had most effectively participated in the preparation or presentation of the report submitted to the Council. The Council would necessarily be unanimous in adopting the conclusions of the report, and this unanimity was significant, as it did not merely indicate an agreement on principles concerning which a previous understanding had been reached.

As Dr. Stresemann had noted, the culminating point of the Conference was the moment at which it declared that the time had come to put an end to the increase of Customs tariffs and to turn in the opposite direction. In many countries before the war, and especially since the war, the tendency, which has appeared to be steadily increasing, was in favour of protectionism. At a given moment, on the initiative of the French delegation, a decision had been made to convene the Economic Conference. All the Governments had sent delegates, not with an official mandate, but delegates who had been chosen by the Governments themselves. By a kind of plebiscite, the importance of which nobody would underestimate, these representatives of all the countries of the world, representatives of business as well as of the working-classes, had declared that the time had come to move in a different direction and to substitute for the policy of an increase of protectionism the policy of a return towards free trade.

The Council was being asked to declare that the Conference "had fully carried out its task in setting forth the principles and recommendation best fitted to contribute to an improvement of the economic situation of the world, and in particular to that of Europe, thus contributing at the same time to the strengthening of peaceful relations among nations." He was convinced that the Council would whole-heartedly adopt this conclusion. The Council was further asked "to invite all countries and Governments to give to these principles and recommendations their close attention and the active support necessary to facilitate their adoption and application." He would vote all the more willingly for such a recommendation as, immediately following the Economic Conference, *the Belgian Government had taken steps to lay the resolutions adopted before Parliament and to declare that, so far as it was concerned, it fully adhered to these resolutions¹ and would do all in its power to ensure that the conclusions adopted by the Economic Conference were embodied in the legislation of all countries.* One of the reasons why Belgium had taken this initiative and had thought it well to emphasise immediately the importance which it attached to the resolutions of the Economic Conference was that, though Belgium was a small country from the political point of view, she nevertheless figured among the six principal industrial Powers represented at the International Labour Office. Her position was such that, owing to her small size and the narrow limits of her internal market, it was necessary for her, if she were to exist independently, to be able to carry on her commerce under the regime of free trade with all the countries surrounding her and, generally speaking, with all countries.

The Council would understand that, in these circumstances, it was not by chance that those who had been first to speak on this subject were the representatives of the Netherlands, Italy and Belgium since, for these countries, the application of the resolutions adopted by the Economic Conference was, so to speak, a question of life and death. Their independence could only be maintained if the principle of economic interdependence of all nations under a system of free trade were recognised, and it was with great satisfaction that Belgium had noted the unanimity which had prevailed at the Conference in regard to this principle. He saw in that unanimity a valuable pledge of the consolidation and stabilisation of peace in Europe and in the world.

M. BENESH said he would like to make a short declaration on behalf of his Government.

¹ Text of M. Vandervelde's declaration in Parliament:

"The Government desires to declare, as from to-day, its entire adhesion to the recommendations of the Conference. It also declares itself ready to come to an understanding with other Governments, from now onwards, on the lines laid down by the Conference.

"Belgium has been the foremost in the struggle for freedom of trade. She owes it to herself to be also one of the first to endorse the resolutions affirming this freedom."—(Translation by the Secretariat.)

It was one of the great merits of the Conference to have thrown impartial light on the origins, causes and nature of the present economic problems, and it was impossible sufficiently to thank all those who had participated in the Conference, particularly the Preparatory Committee and the Economic Service of the League of Nations, together with the promoters of the Conference, for the preliminary work which had been so wisely thought out, and the abundant and concise documentation of the Conference.

Many mistaken and confused ideas had been set right. More than one cause of incorrect opinions or tendentious propaganda had been reduced to its proper value. This was particularly true of ideas which had been spread during recent years in regard to the economic evils from which Europe was at present suffering and the causes from which they arose. All these ideas had, by the discussions of the Conference, been reduced to their just proportions and to reasonable, sound and exact conceptions, and had been replaced by guiding rules which were precise and scientifically justified. It was only necessary in order to be convinced of this fact to go through the Minutes of the various Committees of the Conference.

He could, therefore, do no more than fully subscribe to the declaration which M. Vandervelde had just made.

The cure prescribed by the Conference was certain to be slow and would require much patience, but it had the great advantage that it led into a path that was sure, though difficult.

He had the honour to inform the Council, that, before leaving for Geneva, he had submitted to the Council of Ministers the results of the work of the Economic Conference. The Government of the Republic had given its full adherence, in principle. He believed that certain ideas and principles formulated by the Conference, particularly in regard to the commercial policy of the States, would be examined more thoroughly in order that their consequences might be fully appreciated. This investigation would be the subject of further work, but *he could now, on behalf of the Government, adhere to the resolutions of the Conference and declare that it intended to develop its policy in conformity with the principles which they embodied.*

DR. STRESEMANN spoke as follows :

The International Economic Conference has achieved a very meritorious work. It is now our task to contribute our share to this work by carrying through the decisions of the Conference. We must see to it that these decisions do not simply remain a "platonian gesture" to use the term employed by the Economic Conference, but that they become realities.

We have just heard that the Belgian Government has taken an initiative which ought to serve as an example to the other Governments. I am glad to say that I can at once join in this initiative on behalf of the German Government. I declare that the German Government gives just as full and unqualified an approval to the decisions of the Economic Conference

as the Belgian Government. A few days ago, the German Government defined its attitude by taking the following decision :

"The Government of the Reich approves the general report of the World Economic Conference, and concurs in its conclusions.

"It is ready to co-operate energetically in giving effect to the recommendations and suggestions of the World Economic Conference.

"The Government of the Reich considers that the guiding principles for Customs and commercial policy enunciated by the Economic Conference provide a practical means of ensuring greater freedom in international, and more especially European, economic relations ; and it agrees with the Conference that this is one of the essential conditions of the economic restoration of Europe, the progress of civilisation and the maintenance of peace.

"It therefore considers it highly desirable that the work required of the League of Nations to give effect to the Conference resolutions should at once be taken in hand and carried through."

I express the hope that other Governments will follow the example given by the Belgian Government.

But even such decisions taken by Governments, however valuable they may be, are for the time being only on paper and platonic gestures. The initiative of the Governments depends on the initiative of the organs of the League, because the Economic Conference has conferred the competence for the execution of the majority of its decisions to these organs of the League of Nations. The Governments, therefore, must first appeal to the organs of the League to take the initiative and to do so as soon as possible. The discussions of the International Economic Conference have drawn the attention and the will of the public to these economic problems. Let us use this attention and this will by taking up the practical work as soon as possible. Every day which passes unused is a loss, because every day the decisions taken by the Economic Conference return to the background in the public interest and the unanimity and desire for co-operation and understanding may disappear.

I am therefore particularly glad to note that the resolution which I have the honour to submit to the Council in one of its last sentences invites the Economic Committee of the League to meet at an "early date" in order to take up a particularly important and urgent task, namely, the unification of the nomenclature and classification of Customs tariffs. The work on this problem is particularly urgent, because, as far as I can see, a certain number of States are about to modernise their Customs tariffs. We should miss an opportunity for carrying through the decisions of the Conference if it were not made possible for these States to postpone the modernisation of their Customs tariffs until a uniform tariff scheme has been worked out under the auspices of the League. If States carry through this task separately, it would mean that the possibility of a large and comprehensive application of a uniform Customs tariff would be missed for years, because these States could not

possibly, after a few years, modify their tariff systems again. This is also a condition for the carrying through of another recommendation of the Economic Conference, namely, that the short-term commercial treaties should be replaced by long-term treaties.

The International Economic Conference has, in one of its resolutions, pronounced a very bold phrase, namely, that the Economic Conference constitutes the beginning of a new era of international trade. It is now for us to employ our good-will and our energy in order to meet this hope, if in future our action is to live up to the promises of the Economic Conference.

M. COMNÈNE associated himself with the congratulations which had been offered to M. Loucheur, the promoter of the Economic Conference. The enthusiasm and faith which M. Loucheur had brought to this work had been certainly one of the deciding causes of its undeniable success. He also associated himself with the congratulations which had been offered to the President of the Conference, who had, with a skill and courage beyond all praise, guided his vessel through the rocks which more than once had threatened it with destruction. He also joined in the congratulations and thanks offered to the delegations of the Conference and to the members of the Secretariat, who had afforded valuable help.

With regard to the considerations contained in the report of Dr. Stresemann, *he entirely associated himself with those concerning agriculture*, particularly with what was said in the summary of the work of the Conference regarding the use of better methods of cultivation, the development of the co-operative system, and the better organisation of agricultural credit institutions. For more than half a century the Rumanian Government had practised this policy and it was not without pride that she found herself to-day among the pioneer countries which had progressed in this direction.

As to the recommendations concerning commerce and industry, his Government would study the resolutions upon them with all the attention and sympathy which they deserved.

Viscount ISMUT said he associated himself entirely with the words of the Rapporteur and with what his colleagues had said at the morning meeting, and particularly with their congratulations to the President and members of the Economic Conference. The Conference had achieved results surpassing expectations. The recommendations, which it had unanimously submitted, constituted, so to speak, the economic code of the moment. They would only, however, attain their real value on the day when they were carried out by the majority of countries. In this connection, the Council must take into consideration the question of a readjustment of the Economic Organisation of the League of Nations, and on this point entirely agreed with the suggestion of the Rapporteur. In the economic field it could not be expected that a single Conference would achieve the object which the Council had in view, as M. Theunis, President of the Economic Conference, had very well said. Meetings

would have to be held at certain intervals, in order that the economic problems might be studied which continuously invited the attention of the League. By this means it would be possible, perhaps, to carry out the wishes expressed by the Conference. By keeping in constant touch with these problems, it would perhaps be possible to introduce a new era in the economic life of the world. Japan attached considerable importance to international trade being subject to the principle of liberty and justice. Economic peace would reign in the world by the frank co-operation of all the peoples whose conditions were different. Economic peace constituted, so to speak, one of the bases of universal peace.

It was in that spirit that he paid a tribute to the work of the Economic Conference, which marked a new stage in the important work which the League of Nations was called upon to undertake for the welfare of humanity.

M. SOKAL said he was glad to be able to state that *the Polish Government had been the first to support the proposal of the French Government for the convening of an International Economic Conference*. The Polish Government was gratified that the results of the Conference had constituted an undeniable success for the League of Nations.

The Polish Government would express its point of view on the question of setting up a permanent economic organisation when that question came to be discussed at the next session of the Council. He would point out at once that, even in the Conference itself, his Government had given evidence of the great interest which it felt in this question.

Without going into details, he desired to draw attention to two facts, which were perhaps the most striking facts in connection with the Economic Conference, in which he had personally taken part. The first of these was the co-operation of the working classes. By their loyal and sincere co-operation in the International Economic Conference the working classes had proved that economic peace and social peace were closely bound up with one another. The second fact had just been mentioned by the Rumanian representative, namely, the successful co-operation in regard to agriculture which proved that international co-operation between agriculturists was not only necessary but perfectly feasible.

While associating himself with the tribute that had been paid to M. Loucheur, the originator of the Conference, to M. Theunis who, as President, had conducted its proceedings so admirably, and to the Economic Section of the Secretariat, he wished also to emphasise the great measure of assistance that had been given by the public itself. The public throughout the world had immediately appreciated the close relations existing between economic peace and the general peace of the world. The public had also realised that, without close co-operation in the economic field, it was impossible to speak either of disarmament or the stabilisation of peace in the relations between the peoples of the world. He thought that all might congratulate themselves upon the result of the Conference, which certainly represented a first step in this

direction. It was, moreover, obvious that the organisation proposed would, when it was set up, make it possible to consolidate economic peace on the basis of the principle which underlay all the work of the League, namely, international justice. The question at issue was that of an economic peace, which, as Viscount Ishii had just said, would mean loyal and sincere co-operation among all countries in the field of economics.

M. VILLEGAS, as the representative of a country which, with other countries of the American continent, had taken an active part in the work of the Economic Conference, wished to associate himself with the well-merited tribute that had been paid to M. Loucheur, the originator of the Conference, to M. Theunis, the President, and to the organisers of the Conference, which had been a most conspicuous success.

The Conference had unmistakably shown the effective assistance which the Latin-American countries were able to lend in the work of economic co-operation and in the consolidation of peace by means of a better comprehension of the needs of the different countries and a better distribution of raw materials.

His country had fully appreciated the scope of the work undertaken, and would certainly do its utmost to further fresh action under the auspices of the League.

The PRESIDENT said that he first desired to associate his Government and himself with the congratulations which had been offered to the French Government, to M. Loucheur in particular upon his initiative, and to the Conference upon the remarkable success which had attended their deliberations. He had great pleasure in associating himself also with the tribute paid by the Rapporteur and other speakers to the work of the President of that Conference, M. Theunis.

His Government had been favourably impressed by a first but rather hasty study of the conclusions of the Conference, and he thought he could say that probably it was in agreement with by far the greater number of them, if not with all. But the work of the Conference and its Report had covered an immense ground; the Report embodied a very large number of recommendations. Some were of a general character and of great importance; others were concerned with matters of comparative detail, but requiring, in the opinion of his Government at least, careful study before it would be safe for a country, which did not wish to pledge its word and afterwards to qualify it, to give an unqualified assent to everything which a further examination might show to be embodied in the Report. Therefore, without detracting in any way from the tributes paid to the work of the Conference, and without in any way diminishing the hopes which many had expressed as to the fruitful results that might be drawn from the Conference, he ventured to ask the Rapporteur whether he would not reconsider, not the general trend of his report or even the general trend of his conclusions, but the wording of one particular paragraph. He did not think that the third paragraph of the con-

clusions as now expressed could be accepted by any representative at that table who was not already authorised to pledge his Government to the acceptance, without qualification, of every recommendation great or small, whatever its character might be, to be found in any part of the Report. That seemed to him to be going too far at too early a stage, and at any rate it was further than he was entitled to pledge his Government. He therefore ventured respectfully to submit to the Rapporteur that he might perhaps be willing to substitute the following words for the third paragraph of the conclusions :

"Commends this valuable Report and these important recommendations to the favourable consideration of all Governments."

M. LOUCHEUR thanked his colleagues on the Council who had overwhelmed him in their excessive praise. The success of the Conference should mainly be ascribed to the masterly way in which M. Theunis had directed its proceedings and to the remarkable way in which its work had been prepared by the Secretariat and by the Preparatory Committee. The Conference's task had been enormously facilitated by the admirable reports presented to it.

M. Scialoja had pointed out that, at the beginning, the proposal to convene the Economic Conference had been received with scepticism in certain quarters. While he himself had never been sceptical, he was obliged to admit that the results had exceeded his hopes. It was almost impossible to realise unanimous agreement on subjects so intricate and difficult as those treated, but, nevertheless, agreement had been reached.

M. Loucheur was particularly gratified that the report of the Council on the results of an initiative that was due to France had been submitted by the German representative. This was an omen of good augury.

Without embarking upon a discussion which would be out of place at that meeting, he desired to say that M. Vandervelde had perhaps somewhat exaggerated the interpretation to be given to some of the decisions taken by the Conference. If, by freedom of exchanges, M. Vandervelde meant free trade, that would undoubtedly give rise to certain immense questions. If M. Vandervelde, however, meant a greater liberty of trade, then he was in full agreement. M. Loucheur wished, however, to draw the Council's particular attention to the statement made by Dr. Stresemann in his report with regard to the necessity of parallel and concerted action by the different Governments which the Conference had emphasised. In order to arrive at parallel and concerted action, the assistance of the Council of the League would obviously be required. It was by discussion in the League that agreement could most easily be found.

M. Loucheur was not authorised to make any definite declaration at that meeting on behalf of the French Government. He was in the same position as the President. *The French Government was at that moment giving its very serious attention to the conclusions of the Conference, with the desire to achieve concrete results.* The Council might, however, have full confidence. Having taken part in the framing of certain of the con-

clusions, he would endeavour to advocate, as far as in him lay, their acceptance by the French Government.

M. VANDERVELDE wished to assure M. Loucheur that he had not been so simple as to confuse liberty of trade with complete free trade, and that he interpreted the latter term in the same way as M. Loucheur. He had, however, desired to lay stress on the direction taken by the movement. For that reason he attached its full importance to a declaration and a resolution which the Conference had framed in the following unambiguous terms :

"The Conference declares that the time has come to put an end to the increase in tariffs and to move in the opposite direction."

M. LOUCHEUR thanked M. Vandervelde, and said he was in agreement with him as to the interpretation of the decision taken by the Conference. He wished to say a word in answer to the statements of M. Scialoja, to which Dr. Stresemann had referred. He believed that the question would be ripe for discussion in September, and that by then it would be possible to discuss freely the exact position of the proposed economic organisation.

Dr. STRESEMANN said that he had referred that morning to the Economic Conference as one of particular importance, and he found from the discussion which had taken place in the Council that the view which he had expressed was fully justified. In addition to the satisfaction which the honourable representative of France must feel at the general congratulations which he had received from all sides, he must be particularly gratified to hear the views of the different countries on the importance of the Economic Conference. It was of course evident that this was only a first step and that the recommendations, decisions and conclusions arrived at by the Conference could only become realities if they were supported and carried through by the various Governments. He entirely agreed with the observations made by the representative of Italy that morning that all the organs and committees to be instituted by the League of Nations for the purpose of carrying out the work and the resolutions submitted by the Conference must be composed of representatives of Governments and also of representatives of private organisations.

In addition to purely technical questions regarding tariff schemes and Customs barriers, the Economic Conference had considered the general idea of facilitating world economic relations by a general reduction of the tariff walls which to-day surrounded the countries. There was a long road to traverse before the goal was reached, but the only way to remove all the obstacles to economic freedom and to economic relations between countries, and to alleviate the present difficulties, was to follow the path indicated by the Economic Conference.

He was a little disappointed that the President could not accept the whole text which he had submitted that morning. He did not think that the President's text was better than his, but he was prepared to accept it,

as he clearly realised the different position in which the countries represented on the Council found themselves in regard to this question. There were countries whose Governments had already discussed and fixed their attitude regarding the resolutions submitted by the Economic Conference, namely, Belgium, Czecho-Slovakia, and his own country, which declared their full and unqualified acceptance of those resolutions. He quite admitted, however, that his text might give the impression that it took for granted the general adhesion of all countries to these resolutions, and that it did not provide for the possibility of taking out one or another of them afterwards and of choosing those that best suited the particular country. He realised the constitutional difficulties which existed for certain countries, and he did not want by insisting on his text and consequently causing reservations to be made by certain countries, to give rise to misunderstandings. Therefore, although he was a little disappointed, he was prepared to adhere to the text proposed by the President.

The PRESIDENT thanked the Rapporteur for having sacrificed his preferences. He thought that his own text perhaps expressed more exactly what each of the Members of the Council really meant to say.

The resolutions were adopted with the following amendment accepted by the Rapporteur :

"(3) Commends this valuable Report and these important Recommendations to the favourable consideration of all Governments."

TEXT OF THE RESOLUTION ADOPTED BY THE COUNCIL ON JUNE 16TH, 1927.

The Council takes note of the Report of the World Economic Conference :

(1) Tenders its most cordial thanks to the President, M. Theunis, to all Members and Experts present at the Conference, as well as to all Organisations and individuals who have assisted in its preparation ;

(2) Considers that the Conference has fully carried out its task of setting forth the principles and recommendations best fitted to contribute to an improvement of the economic situation of the world and in particular to that of Europe, thus contributing at the same time to the strengthening of peaceful relations among nations ;

(3) Commends this valuable Report and these important Recommendations to the favourable consideration of all Governments ;

(4) Reserves for examination at its next session the changes that might prove desirable in the Economic Organisation of the League of Nations in view of the results of the Conference, and invites the Economic Committee in the meantime to meet in extraordinary session in order to begin at an early date a preparatory study of the resolutions of the Economic Conference with regard to Customs tariffs, and more particularly with regard to the unification of tariff nomenclature.

IV. REPORT AND RESOLUTIONS SUBMITTED BY THE
SECOND COMMITTEE TO THE ASSEMBLY.

Rapporteur : M. LOUCHEUR (France).

Two years have already past since the Second Committee's Rapporteur on economic questions asked the Assembly to adopt a proposal by the French delegation asking for the constitution of the Preparatory Committee for the Economic Conference. Your unanimous approval of this suggestion was of good augury. In a few words you gave a general definition of the problem ; you outlined the results which you hoped to achieve as regards the improvement of economic relations and the peace of the world.

It was in relation to the problem of security that, for the first time, our colleague M. Jouhaux reminded the League of Nations of its duty to restore peace in the economic relations of the peoples. When a more definite proposal was subsequently brought before the Assembly at its sixth ordinary session by the author of the present report, the delegates of all the nations assembled here immediately understood that, in a world still shaken by the Great War, weakened by numerous financial crises, and suffering from serious economic disturbance in the agricultural as well as in the industrial and commercial spheres, the League of Nations alone had the necessary authority to consider the various problems at issue as a whole, to define their causes and to recommend suitable remedies.

In conformity with your suggestions, the Council proceeded to a consultation on a wide basis ; it had recourse to interests of all kinds, to various international bodies like the international Institute of Agriculture at Rome and the International Chamber of Commerce and to the national professional organisations ; and it called upon the Secretariat of the League of Nations and the International Labour Office for a prolonged effort.

The result of these two years' work has been submitted to the Second Committee. M. Theunis, with that lucidity of exposition, that force and that conciseness of thought which we all know, has given it an historical retrospect of the Preparatory Committee and of the Conference itself ; he has emphasised the value of the recommendations which it drew up.

Too much stress cannot be laid on the importance which should be attached to these recommendations. They have the two-fold characteristic of undoubtedly representing the opinion of the best-qualified circles and of giving the League of Nations a unanimous opinion with all the authority of such an impressive combination of experts.

During the whole period of the Preparatory Committee's work, the members of the Committee themselves, assisted by the Secretariat and the International Labour Office, collected a series of documents, as complete as it was scientific, on all the problems to be dealt with. The

Conference next impressed public opinion by the competence of the delegations composing it. Every country had sent to Geneva, in the capacity of delegates or experts, their most qualified industrial, commercial and agricultural representatives and their most tried authorities on labour, consumption, co-operation and economic relations in general.

It is unnecessary to expatiate longer on this subject ; the value of the unanimity achieved was immediately appreciated throughout the world by all bodies interested in economic questions, and here at Geneva by the Council of the League of Nations. The Conference's recommendations were, indeed, at once submitted to the Council with a very favourable report by M. Stresemann. At its session last June, its members made official declarations indicative of that determination—which is happily becoming general among nations—to organise economic peace as an essential condition of a peaceful and prosperous existence for all countries, whether strong or weak.

The Second Committee has just made a decisive step in this direction. It, too, has endorsed the Conference's proposals. To this unanimous opinion of the experts who met at Geneva in May, you are going to bring the powerful aid—the fruitful promise—of the support of your Governments. The resolutions which we have the honour to propose to the Assembly confirm the general will to work for the execution of the programme submitted to you by the Economic Conference. Its President, in his closing speech, quoted a characteristic sentence of the Commerce Committee :

“ In spite of the variety of questions raised, the diversity of theories and the legitimate national sentiments of all those who took part in the discussions, one important and extremely encouraging fact has emerged and, having emerged, has become increasingly manifest as the work has advanced. This fact is the unanimous desire of the members of the Conference to make sure that this Conference shall, in some way, mark the beginning of a new era, during which international commerce will successively overcome all obstacles in its path that unduly hamper it and resume that general upward movement which is at once a sign of the world's economic health and the necessary condition for the development of civilisation.”

This unanimous desire of the Conference has in its turn animated the Second Committee and will assuredly animate the Assembly also.

You have, moreover, to give your opinion as to the method of organising the work which has still to be done. In this, too, you will follow the suggestions of the Economic Conference, which considered that the Economic Organisation of the League of Nations should be so adjusted as to perform with success the delicate and complicated work entrusted to it.

As regards the details of this readjustment, opinions differed, but unanimity was reached on the following points : necessity of reorganisation ; appreciation of the work done by the Economic Committee ;

excellent results achieved in the preparation of the Conference thanks to the composition and balance of the Preparatory Committee.

It is from an examination of the Conference's results and of its main conclusions that we have drawn the main ideas which the Assembly will submit to the Council.

These resolutions refer to the three chief categories of economic activity—commerce, industry and agriculture. In perusing them, we find considerations suggested which must lead us to give effect to the Conference's wishes.

It seemed to us necessary in the first place to retain the Economic Committee with its present competence, while adapting it to the new conditions of economic life. The resolution which we submit to the Assembly gives all the necessary particulars in this respect.

The Conference, knowing the value of the results already obtained by the Economic Committee, expressly mentioned that Committee in its resolutions, thus proving the implicit confidence it felt in its work.

But the Conference also affirmed the necessity of the League of Nations and its Economic Organisation consulting, "*so far as necessary, the competent bodies representing commerce, industry, agriculture and labour.*" In chapters full of promise for the future, it repeatedly emphasises the wide range of expert advice on which the Council should be able to draw; it should be able to obtain such advice at any moment from the Economic Organisation which it set up to assist in one of its most valuable tasks: that of promoting economic peace.

This need for forming a group of economic authorities was emphasised in the recommendations of the Conference relating to industrial problems; the chapter on rationalisation, for instance, recommended that efforts should be made to obtain increased production, a higher output and improvement in the conditions of labour, and a reduction in prices "*in industry, agriculture, trade and finance institutions, not merely in large undertakings but also in medium and small.*"

The same reasoning applies to international industrial agreements, the development of which, in the opinion of the Conference, should be followed closely by the League of Nations, which should collect information on the matter and publish it from time to time. It also holds good for industrial information. All the members of the Assembly are aware of the valuable resolutions adopted by the Conference on this subject. They know that these resolutions will call for daily and uninterrupted work, for which the Conference has already drawn up a detailed programme, special mention being made of the information to be obtained both from the Economic Organisation of the League of Nations, and from the International Labour Office, the former being requested to draw up reports, studies and statements which will require the highest qualifications on the part of its members.

It is hardly necessary to remind you that the resolutions relating to agriculture show a great desire for permanent collaboration with the

representatives of agriculturists. The work of agricultural co-operative societies, the development of credit, and various other problems engaged the special attention of the Conference. In this respect it laid definite tasks on the League of Nations. It drew up a programme for the League which cannot be successfully carried out unless agricultural interests are represented as widely as possible in the Economic Organisation of the League of Nations. It is the unanimous recommendation of the Second Committee that the Council should give very special attention to this important question of the representation of agriculture.

The opinion of the Conference, based not only on the experience of each delegation, but also on the results obtained by the Preparatory Committee and by itself, was, generally speaking, that economic problems as a whole could only be examined successfully in their general environment, and considered in their relation to one another, whether they were in their essence industrial, commercial or agricultural.

Confidence in the Economic Committee of the League of Nations, a considerable extension of the problems which have been studied until now, complexity of the task to be undertaken, necessity of close collaboration between all those who have to carry it out—such are the conclusions which emerge from the work of the Economic Conference.

In view of these considerations, we propose to the Assembly the creation of a new organ comprising competent authorities on industry, commerce, agriculture, finance, transport, labour problems and questions relating to consumption. This consultative committee would send its reports direct to the Council, and, in order to ensure the necessary liaison, would communicate them immediately to the technical organisations concerned. It would meet on the request of the Council whenever necessary, and at least once a year.

We thought that the International Labour Office should be asked to nominate three workers as members of this Committee. We also expressed the hope that the International Institute of Agriculture and the International Chamber of Commerce would be asked to give their assistance.

Finally, without venturing to make any definite recommendations to the Council, we suggest that it would perhaps be well if the Advisory Committee could ask other organisations to join in its work, such as the new International Management Institute and the International Co-operative Alliance.

Some of you may perhaps be inclined to think that this organisation is somewhat complicated, but the proposals which I have the honour to submit to the Assembly in the name of the Second Committee are the result of an exhaustive discussion in which account has been taken of every side of the problem and of all the interests concerned. We have been guided solely by the desire to provide the League of Nations with the means of pursuing its essential task: the establishment of peace through better international economic co-operation.

The Second Committee has the honour to submit to the Assembly the following draft resolutions :

" I. INTERNATIONAL ECONOMIC CONFERENCE.

" The Assembly,

" Takes note of the report of the Economic Conference held in May last, in accordance with the initiative taken by the Assembly at its sixth ordinary session ;

" Congratulates sincerely the President and the members of the Conference appointed by the Governments of fifty countries upon the fact that, comprising so many qualifications, and representing every variety of responsible opinion, they were able to agree unanimously upon recommendations at once definite in character and wide in range, whose adoption would effect a substantial improvement in the present economic policies of the world ;

" Notes with satisfaction that many Governments have already made declarations accepting the principles laid down by the Conference and stating their intention of co-operating in their application, while no declaration in the contrary sense has been made ;

" Believes, therefore, that there is every reason to hope for universal approval when the public opinion of all countries has been sufficiently instructed ;

" Recommends the resolutions of the Conference, as the Council did in June, 1927, to the favourable consideration of all Governments, and trusts that those Governments which have not yet declared their support will shortly be able to do so ;

" Invites the Economic Organisation of the League of Nations to prepare as soon as possible a summary of the replies of the various Governments as to their attitude to the recommendations of the International Economic Conference, and to make known the action that the various Governments have taken or may take in pursuance of the recommendations of the Economic Conference ;

" Trusts that the economic policies of all countries may develop in accordance with the principles laid down by the Conference and desires that the Economic Organisation of the League should take these recommendations as the basis of its work ;

" Trusts, in particular, that the recommendations of the Conference relating to tariffs and commercial policy will be put into effect, not only by national action and bilateral agreements but also, whenever practicable by collective conventions reached by means of international conferences of accredited representatives with the aim of gradually evolving among the trading nations of the world, and particularly among those of Europe, common lines of policy beneficial to all and not subject to the uncertainties of purely bilateral bargaining, careful attention being given to the special conditions existing at any moment and to the necessity of realising this policy by stages and without undue disturbance ;

"Expects the Council of the League of Nations and the Economic Organisation to devote their untiring efforts to the realisation of this urgent task and hopes that the Governments will give to it their cordial support and active collaboration."

"II. ECONOMIC ORGANISATION OF THE LEAGUE OF NATIONS.

"Whereas, in addition to the economic tasks hitherto undertaken by the League, much important and extensive work will result from the recommendations of the Economic Conference; and

"Whereas it is essential that the different interests and organisations which collaborated in the preparation of the Conference should continue to give their support and advice in the work of securing effect to its recommendations; and

"Whereas the Conference took the following resolution:

"The Conference wishes in the first instance to express its high appreciation of the work of the Economic Committee and the Secretariat of the League.

"The Conference is of opinion that the success of its work will depend upon the execution of the principles laid down.

"With regard to the action to be taken on its recommendations, the Conference, while offering no suggestion as to a permanent organisation, cannot do better than draw the Council's attention to the well-balanced composition of the Preparatory Committee, which has yielded excellent results in the preparatory work of the Conference":

"The Assembly considers:

"(a) That the Economic Committee should continue to be, as at present, the organ through which the Council deals with economic affairs and that it should be constituted—under such rules as the Council may consider appropriate for its effective functioning—so as to be best suited for its principal work which, in the near future, at least, will lie within the sphere of the economic relations between States and their economic policies so far as they have international aspects; it should consist of not more than fifteen members.

"(b) That the Economic Committee should have the power to appoint temporary sub-committees of experts for preparatory work and subject to Council approval and in consultation with the States in question, to name economic correspondents in countries which have no member on the Committee.

"(c) That a 'Consultative Committee' the object of which is to follow the application of the Economic Conference recommendations should be constituted by the Council.

"It might be composed of about thirty-five members, as was the Preparatory Committee, and the conditions of equilibrium attained in the latter between the various elements should be maintained as far as possible.

"It should therefore include, among others, persons competent in

industry, commerce, agriculture, finance, transport, labour questions and questions relative to consumption.

"The International Labour Office should be invited to submit the names of three labour members for this Committee.

"The Council will doubtless also wish to secure for the Committee the co-operation of the International Institute of Agriculture and of the International Chamber of Commerce.

"Five members chosen by the Economic Committee should take part in the work of the Consultative Committee with the same rights as the other members.

"The Consultative Committee should submit its report directly to the Council of the League of Nations. At the same time, it would forward a copy to the Economic Committee and to the other technical organisations concerned."

The Report of the Second Committee and the Resolution were adopted.

LIST OF DOCUMENTS, ACCORDING TO THE ORDER OF THE PROGRAMME OF THE CONFERENCE.

I. ECONOMIC SITUATION OF THE WORLD

(a) *Finance, Industrial and Agricultural Production and Exchanges.*

C.E.I. 2. *Memorandum on Balance of Payments and Foreign Trade Balances, 1911-25.*

(2 vols., 239 pages.) (Publication of the Economic and Financial Section.)

G.E.I. 1. *Memorandum on Currency and Central Banks.*

(2 vols., 214 pages.) (Publication of the Economic and Financial Section.)

G.E.I. 34. *Memorandum on Public Finance.*

(Publication of the Economic and Financial Section.)
(In preparation.)

C.E.I. 3. *Memorandum on Production and Trade.*

(47 pages.) (Publication of the Economic and Financial Section.)

C.E.I. 19. *Summary Memorandum on Various Industries.*

(40 pages.) (Publication of the Economic and Financial Section.)

C.E.I. 29. *Principal Features and Problems of the World Economic Position from the Point of View of the Different Countries.*

(Five series, 181 pages.) (First part of the Programme of the Conference.)

- C.E.I. 5 (1). *Final Reports of the Trade Barriers Committee of the International Chamber of Commerce.*
(40 pages.)
- C.E.I. 36. *Agricultural Problems in their International Aspect.*
(International Institute of Agriculture.)
- C.E.I. 41. *Memorandum on the Economic Work of the League of Nations.*
(Economic and Financial Section and Transit and Communications Section.)
- C.E.C.P. 24. (1) *Methods of Economic Rapprochement.*
(36 pages.) By E. GROSSMANN, Professor of Political Economy at Zurich University.
- Monthly Bulletin of Statistics.*
(Periodical publication of the Economic and Financial Section.)
Annual subscription.
- The International Statistical Yearbook.*
A reference handbook appearing annually.
- C.E.I. 39. *Population and Natural Resources.*
Gives a list of the main sources of raw material and a table showing density of population in relation to cultivated areas.
(b) *Population and Labour.*
- C.E.C.P. 59 (1). *Estimates of the Working Population of Certain Countries in 1931 and 1941.*
(19 pages.) By Professor A. L. BOWLEY, Sc.D., F.B.A.
- C.E.I. 4 (1). *Natural Movement of Populations during the First Quarter of the Twentieth Century.*
(7 pages.) (Health Section.)
- C.E.I. 25. *Migration in its Various Forms.*
(28 pages.) (International Labour Office.)
- C.E.I. 12. *Reports on Legislation concerning the Movement of Labour and Migration in General.* (38 pages.)
(International Labour Office.)
- C.E.I. 26. *Standard of Living of the Workers in Various Countries.*
(International Labour Office.)

2. TRADE

- C.E.C.P. 24 (1). *Methods of Economic Rapprochement.*
By E. GROSSMANN, Professor of Political Economy at Zurich University.

- C.E.I. 37. *Tariff Level Indices.*
(38 pages.) (Economic and Financial Section.)
- C.E.I. 31. *Commercial Treaties : Tariff Systems and Contractual Methods.*
By D. SERRUYS, Member of the Economic Committee of the League of Nations and Director-General of the Ministry of Commerce (France). (15 pages.)
- C.E.C.P. 71 (1). *Stability of Customs Tariffs.*
By M. J. BRUNET, President of the International Bureau for the Publication of Customs Tariffs (Brussels), Member of the Economic Committee of the League of Nations. (11 pages.)
- C.E.I. 32. *Customs Nomenclature and Classification.*
Transmitted by Dr. E. TRENDLENBURG.
- C.E.C.P. 96. *Memorandum on Discriminatory Tariff Classifications.*
By Mr. W. T. PAGE, Member of the Preparatory Committee for the International Economic Conference. (11 pages.)
- C.E.C.P. 97. *Memorandum on European Bargaining Tariffs.*
By Mr. W. T. PAGE, Member of the Preparatory Committee for the International Economic Conference. (14 pages.)
- C.E.C.P. 36 (1). *Memorandum on Dumping.*
By JACOB C. VINER, Professor of Political Economy at Chicago University. (19 pages.)
- C.E.I. 7. *Memorandum on the Legislation of Different States for the Prevention of Dumping, with Special Reference to Exchange Dumping.*
Transmitted by Dr. TRENDLENBURG. (33 pages.)
- C.E.I. 23. *Export Duties.*
(52 pages.) (Economic and Financial Section.)
I. Introduction by M. GLIWIC.
II. Lists of Export Duties.
- C.E.I. 26. *Marks of Origin.*
Part I. Obligation to affix a Mark of Origin on Goods. (Note drawn up by the Secretariat of the League of Nations.)
Part II. Observations on Marks of Origin and the Various Laws relating thereto. Communication by Dr. TRENDLENBURG, Member of the Preparatory Committee for the Conference (with Annexes) (59 pages.) (Economic and Financial Section.)

- C.E.I.* 22. *Abolition of Import and Export Prohibitions and Restriction.*
 Commentary and Preliminary Draft International Agreement drawn up by the Economic Committee of the League of Nations to serve as a Basis for an International Diplomatic Conference. (33 pages.)
 (Economic and Financial Section.)
- C.E.I.* 42. (1). *Note on Certain Forms of Direct and Indirect Subsidies.*
 (2). *Note on Different Taxes on Circulation, Consumption or Handling of Foreign Imported Goods.*
 (3). *Note on Regulation of Qualities of Imports and Exports Admitted.*
 (Economic and Financial Section.)
- C.E.I.* 28. (1). *Experience gained from the Fixing of Export Prices during the Inflation Period in Germany.*
 Transmitted by Dr. TRENDLENBURG. (6 pages.)
 (2). *Dependence of Trade on Control of Foreign Exchange.*
 Note by the Economic and Financial Section. (7 pages.)
 (3). *Methods of Assessment for the Application of ad valorem Duties.*
 Note by the Economic and Financial Section. (12 pages.)
 (4). *Variations in Tariffs in accordance with the Origin of Goods, the Place whence they come, their Destination, or the Frontiers or Places through which Importation or Exportation takes place.*
 Note by the Economic and Financial Section. (6 pages.)
 (5). *Consular Charges.*
 Note by the Economic and Financial Section. (7 pages.)
- C.E.I.* 33. (1). *Immunities of Commercial or Transport Undertakings controlled by the State from Charges and Obligations to which Similar Private Undertakings are subject.*
 Note by the Economic and Financial Section. (10 pages.)
 (2). *Memorandum on Railway Tariffs and Tolls as an Economic Factor.*
 By M. COLSON, Member of the Institute of France, Vice-President of the "Conseil d'Etat." (6 pages.)
 (3). *National and Flag Discrimination with regard to Communications and Transit.*
 Note by the Communications and Transit Section. (6 pages.)

- (4). *Difficulties resulting for International Trade from Unfair Commercial Practices, and Particularly from Practices not covered by the Convention for the Protection of Industrial Property.*
Note by the Economic and Financial Section. (9 pages.)

3. INDUSTRY

(a) *Various Industries*

- C.E.I. 19. *Summary Memorandum on Various Industries.*
Publication of the Economic and Financial Section.
(40 pages.)
- C.E.I. 18. *Memorandum on Coal.*
Economic and Financial Section. (2 vols.)
Volume I (75 pages).
Volume II (56 pages).
- C.E.I. 17. *Memorandum on the Iron and Steel Industry.*
Economic and Financial Section. (113 pages.)
- C.E.I. 9. *Memorandum on Cotton.*
Economic and Financial Section. (78 pages.)
- C.E.I. 8. *Shipbuilding.*
Economic and Financial Section. (48 pages.)
- C.E.I. 10. *Chemical Industry.*
(134 pages.)
- C.E.I. 21. *Potash Industry.* (27 pages.)
- C.E.I. 16. *Electrical Industry.*
(121 pages.)
- C.E.I. 15. *Mechanical Engineering* (2 vols).
Volume I (193 pages).
Volume II (92 pages).
- C.E.I. 24. *Natural Silk Industry.*
(34 pages.)
- C.E.I. 30. *The Artificial Silk Industry.*
(51 pages.)
- (b) *Scientific Management and Industrial Agreements.*
- C.E.I. 13. *Scientific Management in Europe.*
(15 pages.) (International Labour Office.)
- C.E.C.P. 20 (1). *Memorandum on Rationalisation in the United States.*
By the Honourable DAVID HOUSTON. (9 pages.)

- C.E.I.* 38. *Recruitment and Training of Skilled Workers and Technical Staff in Great Britain and Germany.*
From information supplied by Sir ARTHUR BALFOUR and M. C. LAMMERS. (9 pages.)
- C.E.C.P.* 24 (1). *Methods of Economic Rapprochement.*
By EUGENE GROSSMANN, Professor of Political Economy at Zurich University. (36 pages.)
- C.E.I.* 35. *Summary of National Legislation with Reference to Cartels and Combines.*
Drawn up by Dr. C. LAMMERS (Member of the Preparatory Committee of the International Economic Conference).
- C.E.C.P.* 57 (1). *Cartels and Combines.*
By Dr. KURT WIEDENFELD, Professor of Economics at the University of Leipzig. (36 pages.)
- C.E.C.P.* 93. *International Cartels.*
By D. H. MACGREGOR, Professor of Political Economy, Oxford University. (7 pages.)
- C.E.C.P.* 94. *The Social Effects of International Industrial Agreements. The Protection of Workers and Consumers.*
By WILLIAM OUALID, Professor of Political Economy in the Faculty of Law of the University of Paris. (35 pages.)
- C.E.C.P.* 95. *Cartels and Trusts and Their Development.*
By M. PAUL DE ROUSIERS, Professor at the Ecole des Sciences politiques, Paris. (24 pages.)
- C.E.C.P.* 98. *Recent Monopolistic Tendencies in Industry and Trade : Being an Analysis of the Nature and Causes of the Poverty of Nations.*
By GUSTAV CASSEL, Professor of Political Economy at the University of Stockholm. (48 pages.)
- C.E.C.P.* 99. *National and International Monopolies from the Point of View of Workers, Consumers and Rationalisation.*
By Professor JULIUS HIRSCH. (Berlin.)
(In preparation.)
4. AGRICULTURE.
- C.E.I.* 36. *Agricultural Problems in Their International Aspect.*
International Institute of Agriculture.
- C.E.I.* 43. *Agriculture and the International Economic Crisis.*
By M. JULES GAUTIER, Dr. ANDREAS HERMES and Mr. H. A. F. LINDSAY, Members of the Sub-Committee on Agricultural Questions of the Preparatory Committee for the International Economic Conference. (25 pages.)

- C.E.I. 27. *The Relation of Labour Cost to Total Costs of Production in Agriculture.*
International Labour Office. (66 pages.)
- C.E.I. 14. *The Part played by Co-operative Organisations in the International Trade in Wheat, Dairy Produce, and some other Agricultural Products.*
International Labour Office. (46 pages.)
- C.E.I. 11. *Results of certain of the Enquiries for Instituting a Comparison between the Retail Prices in Private Trade and Those of Distributive Co-operative Societies*
International Labour Office. (31 pages.)

